

MUSEUMS AND GALLERIES ACT 1992

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# The British Museum

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

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# Contents

	<b>Page</b>
<b>Trustees' and Accounting Officer's Annual Report</b>	<b>3</b>
Director's introduction	3
Chairman's introduction	4
Operating environment	4
Strategy and structure	6
Aim and objectives	6
Strategy	6
Risks	7
Board and Committees	7
Internal structure	8
Friends' organisations	8
Our operations	9
Deployment of resources	9
The estate	9
Visitors	9
Staff	9
Volunteers	10
Suppliers	10
Performance against strategy	11
Financial performance	11
Museum in London	11
Museum in Britain	13
Museum in the World	13
Capacity	14
Collections management	14
Trustees and staff	15
Buildings	15
Relationships	15
Technology	15
Grant-in-Aid	16
Income generation	16
Fund raising	16
Efficiency savings	17
Investment	17
Reserves	17

Basis of Preparation of Financial Statements and Accounting Policies and Practices	18
Report of the Audit Committee	18
Appendix 1: Names of Trustees	21
Remuneration Report	23
<b>Statement of Trustees' and Accounting Officer's Responsibilities</b>	24
<b>Statement on Internal Control</b>	25
<b>The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament</b>	27
<b>Financial Statements</b>	29

# Trustees' and Accounting Officer's Annual Report

The Trustees of the British Museum have pleasure in submitting their Annual Report and Accounts for the year ended 31 March 2006.

## Director's Introduction

2005 was a year of unprecedented focus on Africa. The Museum was at the heart of the Africa 05 cultural festival, working together with over fifty partner organisations including the Arts Council England, the South Bank Centre and the BBC. In March 2005, the Prime Minister launched the Commission for Africa Report in the Museum's Great Court in the shadow of The Tree of Life, a unique sculpture made from de-commissioned firearms from Mozambique. Throughout the year, the Museum toured The Throne of Weapons, an iconic object from its African collection, to a wide variety of venues from Belfast to Pentonville Prison and Coventry Cathedral. It returned briefly to the BM in December, where it formed the centrepiece and focus of a meeting of the UK Youth Parliament, such meetings to be annually repeated at the museum. The local and national impact of the Throne's tour is emblematic of how, through encounters with evocative objects, new dialogues and discussions can open up between individuals and communities. Our task for the future is to build the Museum into a resource which allows each and every citizen of Britain to use the collection as their own, to turn it into a national museum in the truest sense of the word.

On Sunday 26th June 2005 the Museum hosted Africa Live, a day of free activities celebrating African life and culture attended by over 24,000 people and organised in collaboration with the BBC. The BBC broadcast music and interviews live from the Museum across Africa via the World Service. Special guests included Gordon Brown, Bob Geldof and Charlie Dimmock – who introduced visitors to Ground Force's Garden for Africa on the Museum's East Lawn – and the African Children's Choir from South Africa.

In 2003, the Museum received a grant of £1,000,000 from the Government towards its expanded programme of activity in Africa marking the BM's 250th anniversary that year. Subsequently the Museum has signed Memoranda of Understanding with many African countries, involving skills-sharing, curatorial exchanges and loans, the first fruit of which was the ground-breaking exhibition, *Hazina-Traditions, Trade and Transitions in Eastern Africa*, which opened in Nairobi in March 2006. The show was entirely conceived and curated by colleagues from the National Museums of Kenya. Because of the success of this programme the Government has recently announced renewed funding for the Museum's Africa programme.

The Museum has also been developing an unprecedented programme of collaboration with museums across China enabling objects from the Museum to be seen in China and for masterpieces of Chinese culture to be loaned to the UK. It will also involve curatorial exchanges, skills-sharing and joint projects which will benefit the museums and their audiences in both countries. Already two loan exhibitions have opened in Beijing and Shanghai with many more planned during the period of the Cultural Olympiad between 2008 and 2012.

The Museum's commitment to British archaeology was recognised with the Government's decision to fully fund the Portable Antiquities scheme which is run in partnership with MLA throughout England and Wales. The funding of this scheme ensures the protection of our archaeological heritage as new finds are made.

The Museum also held a number of successful exhibitions. Such was the demand for *MICHELANGELO Closer to the Master* that the Museum stayed open, for the first time in its 253 year history, until midnight every Saturday in June and late every day in the final week with queues for last-minute tickets running the length of Great Russell St. *FORGOTTEN EMPIRE; The World of Ancient Persia* was also an unprecedented success. The exhibition epitomised the potential for cultural exchange to provide a platform for dialogue, official contact and mutual understanding. Both exhibitions attracted record-breaking numbers of visitors.

Work has started on refurbishing galleries to improve the visitor experience across the Museum. The Manuscripts Saloon now provides a showcase for important objects temporarily displaced while this programme continues and opens up another corner of the planned ground floor circuit. The Prints and Drawings gallery has reopened with a splendid exhibition of Avigdor Arikha's drawings. There is much more to come and we are all very grateful for the astonishing generosity of donors who are funding these improvements.

Finally I must share my appreciation of the huge curatorial effort that is being directed to the electronic capture of information and images of the Museum's collection. This painstaking task will eventually enable millions more people to share through the web, for pleasure or study, a 7 million strong collection of objects of outstanding cultural significance to the world.

Neil MacGregor

## Chairman's Introduction

Firstly I would like to thank Sir John Boyd for his outstanding contribution as Chairman of the Trustees over the past five years. During his tenure, Sir John presided over the appointment of a brilliant new Director for the British Museum, Neil MacGregor, and helped Neil and his team to address the financial difficulties which had beset this great institution. Neil and Sir John successfully reaffirmed the founding principles of the British Museum, articulating the Museum's key purpose as a world museum, there for the benefit of all the citizens of the world. This key purpose was emphasised through the diverse and stimulating programme of exhibitions, gallery openings and public events which have taken place over the past year.

I am delighted to be taking on the Chairmanship at this exciting stage of the Museum's development, there is much to look forward to in the coming years, not least the Olympics in 2012. I am looking forward to helping to secure the funding needed to realise its ambitions for the building and its planned programmes in London, Britain and the World.

*Niall FitzGerald*

## Operating environment

The British Museum was founded in 1753 and is now governed in accordance with the British Museum Act 1963, which requires Trustees to keep the collection within authorised repositories and so far as practicable to make them available for public inspection. It prohibits disposal of collection objects unless they are duplicates, unfit or useless but permits the loan of objects for public exhibition.

The Museum is a visitor attraction operating within the London tourist market. In 2005/06, Britain enjoyed good economic growth and low inflation and the pound slipped back against the dollar, while gaining against the euro and the yen. There was further growth in short haul economy air traffic and 10 new countries joined the European Union. Despite these advantages, however, the bombing incidents in July 2005 led to a reduction of upwards of 25% in the number of visitors coming in to London. The market is not expected to recover fully for at least another year.

The Museum is an exempt charity under schedule 2 of the Charities Act 1993 and sections 505 and 507 of the Income and Corporation Taxes Act 1988.

It is also a Non-Departmental Public Body subject to a Management Statement and Financial Memorandum agreed with its sponsoring department, the Department for Culture, Media and Sport (DCMS).

The Museum is funded by a combination of Grant-in-Aid allocated by DCMS and income secured through a range of commercial and fund-raising activities, sponsorship and activities for which a charge is made. The Grant-in-Aid, which represents some 60% of the total incoming resources, is provided subject to a three year funding agreement with the DCMS, which sets out targets for the Museum's contribution to delivery of key DCMS objectives:

- to further enhance access to culture and sport for children
- to increase and broaden the impact of culture and sport, specifically by increasing by 2% in England the number of lower socio-economic groups, black and ethnic minorities and disabled people visiting museums and galleries collections and attending museum outreach services
- to maximise the contribution which the tourism, creative and leisure industries can make to the economy
- to modernise delivery, achieving at least 2.5% efficiency savings in each year of the Spending Review 2004 (i.e. 2005/06, 2006/07, 2007/08).

The Museum's funding agreement targets for 2005/06 and the actual results for the last five years are as follows:

	Actual 2001/02	Actual 2002/03	Actual 2003/04	Actual 2004/05	Target 2005/06	Actual 2005/06	Page ref.
Total number of physical visits to the Museum	4,813,000	4,623,000	4,622,000	4,778,000	4,300,000	4,485,000	11
No of unique users visiting the website	4,491,000	6,851,000	7,751,000	7,566,000	7,600,000	8,755,000	14
Number of children aged 15 and under visiting the Museum	951,000	858,000	902,000	943,000	860,000	873,000	11
No of children aged 15 and under in on and off-site organised educational sessions	142,000	166,000	194,000	202,000	180,000	175,000	11
No of UK adults aged 16 and over from lower socio-economic groups attending the Museum	199,000	218,000	186,000	203,000	183,250	190,000	11
Net income from trading (including corporate hire)	£1.2m	£1.3m	£1.4m	£1.9m	£1.26m	£1.7m	17
Efficiency Savings		N/A		£6.8m	£7.137m	£7.2m	18

The Museum's operations are conducted with further regard to:

- section 47 of the Human Tissue Act 2004, which confers a power to de-accession human remains that are more than 1,000 years old
- the Freedom of Information Act 2000, for the purposes of which the Museum is a designated public body
- restitution claims arising from Nazi spoliation during the years 1933 – 1945
- the Code of Practice from section 11 of the Treasure Act 1996, which requires the Museum to record all English finds believed to be Treasure and to assist the Treasure Evaluation Committee with any finds in England declared Treasure by a coroner
- the Portable Antiquities Scheme: a voluntary scheme for recording archaeological objects found by members of the public in England and Wales.

It has a wide range of stakeholders, including DCMS, HM Treasury, the Attorney General, the British public, Camden Borough Council, English Heritage, national and international visitors, other London museums, regional museums, international museums, universities, sponsors, donors (including the Heritage Lottery Fund, the Art Fund and the Millennium Commission) and representatives of source communities from across the globe.

## Strategy and structure

### Aims and objectives

The Museum's aim is to hold for the benefit and education of humanity a collection representative of world cultures and to ensure that the collection is housed in safety, conserved, curated, researched and exhibited.

Further to this aim, the Museum's objective is to become:

- a museum of the world for the world
- a place for the 'curious and studious'
- a collection held for the benefit of the world, present and future, free of charge
- a forum for the expression of many different cultural perspectives
- a place to embrace the whole world and to increase understanding of the links between and influences across different societies
- a place where the UK's different communities can explore their inheritances. The Museum's collection is drawn from all over the world and so the Museum is uniquely placed to demonstrate the continuity and importance of cultural diversity from the time of the earliest human artefacts two million years ago right up to the present day.

### Strategy

This strategy is being pursued through four programmes:

- the Museum's role in London, both in terms of its physical presence in the heart of London, attracting 4.5m visitors per annum, and in terms of its relationships with the communities of London
- working more widely across Britain, both with and through the museum community but also through the education sector, broadcasting and new media to realise fully its national remit
- moving beyond the UK, engaging in a worldwide programme of sustainable partnerships to be a museum of the world and for the world
- strengthening the Museum's capacity: a programme of ensuring the right people are doing the right jobs at every level, delivering fit for purpose buildings and estate, strengthening the Museum's external relationships, advancing the Museum's registration, documentation and interpretation, using modern technology in support of engagement and implementing efficiencies, generating more income and fundraising to finance the additional activity.

In 2001/02 the Museum put in train a number of actions to reduce its annual operating costs by £6m, as a preventative measure to ensure balanced future operating budgets and to lay down the organisational structure and reserves necessary for advancing its strategy. These actions, which included reducing staffing levels, consolidating curatorial activities back onto the Bloomsbury site and disposing of surplus properties, were completed successfully by 2004/05. There is now a pressing need to modernise and develop the buildings and other facilities on this site to make the Museum fit for its purpose of delivering the aim and strategy.



## Risks

The main risks to achievement of the Museum's strategy are now seen as:

- insufficient funds being raised for the priority developments
- fiscal obstacles to the use of reserves for future development
- the impact of terrorism or health concerns on travel and visitor numbers
- over-stretching the Museum's resources
- failure of parts of the museum's building, plant or service infrastructure due to historic under investment
- failure to achieve the necessary cross-departmental working
- restitution and litigation issues
- inadequate management of the capital programme
- inadequate recognition, management and meeting of key stakeholders' expectations.

Actions taken to reduce the possibility of any of these occurring and to mitigate their impact in the event that they should, include fundraising plans, close liaison with DCMS and HM Treasury, disaster recovery plans, an internally shared strategy and prioritised forward plans, strengthened central functions, staff consultation, business process improvements, organisational development, facilities audits, clarity of roles and responsibilities, a project gateway process, working with source communities and other stakeholders and an advocacy programme.

## Board and Committees

The governing body of the Museum is the Board of Trustees whose members are appointed for fixed terms of service and are listed in Appendix 1. They are non-executive and unpaid. Fifteen are appointed by the Prime Minister, one by the Sovereign, one each by the Royal Academy, the British Academy, the Society of Antiquaries of London and the Royal Society and five by the Museum's Trustees.

The induction of new Trustees is primarily through a programme of department visits and meetings with the Director, Deputy Director, and members of the senior management team. An introductory pack of key documents and publications including the Governance Guide, Museum Plan, Annual Report and Accounts and organisation chart is provided. Induction programmes are further tailored to the individual needs and interests of the Trustee.

The Board meets quarterly to lead and control the Museum and is aided in this respect by three committees and a subcommittee: the Standing Committee, the Audit Committee, the Nominations and Governance Committee and the Investment Sub-committee. Matters for the Board's decision and the respective responsibilities of the Board, Trustees' Committees and Management are clearly defined. In particular, the Board appoints the Director, establishes policies and strategy, considers and agrees the Museum Plan and monitors the achievement of the Plan.

The Standing Committee discharges the Board's functions between quarterly Board meetings.

The Audit Committee monitors on behalf of the Board that the Director and staff are acting within their authority and remit, that major risks are managed and that resources are being used effectively and efficiently. The Audit Committee reports annually to the Board. Its report for 2005/06 is included on page 18 of this report.

The Nominations and Governance Committee recommends candidates as Trustees and appointments of Trustees to Board Committees and provides assurance on governance.

The Investment Sub-committee advises the Standing Committee on the investment of the Museum's funds and the performance of investment managers.

Both the Board and the Accounting Officer have ultimate responsibility for the system of internal control applied at the Museum. The system employed is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The main components of the system are: the defined Trustees' Board and Committee structure, the defined Directorate, Management Group, Project Board, Research Board, Programme Board and Space Planning Board structure, a set of Board policies, a risk management process, a financial reporting and monitoring process and an internal audit function.

The Director, Neil MacGregor, is accountable to the Board for the achievement of the strategy and annual plan. He is advised for this purpose by a Directorate Group and by a wider Museum Management Group of the Museum's senior managers. He is also the designated Accounting Officer for the Museum in which role he is accountable to Parliament and the Accounting Officer for the Department of Culture, Media and Sport for the resources under his control.

## Internal structure

The Museum is organised as a directorate department, 11 collections management departments and 11 other functional support departments. The collections management departments are: Africa, Oceania and the Americas; Ancient Egypt & Sudan; Ancient Near East; Asia; Coins & Medals; Conservation, Documentation & Science; Exhibitions; Greek & Roman Antiquities; Learning and Information; Prehistory & Europe; Prints & Drawings. The functional support departments are: Capital Projects and Estates; Commercial; Communications; Development; Facilities Management; Finance Services; Human Resources; Information Services; Marketing; Operations; and Photographic Imaging.

The main retailing, off-site trading and publishing activities of the Museum are carried out by the British Museum Company Limited, a company wholly owned by the Trustees, together with its subsidiary, British Museum Ventures Limited.

Catering, conferences, education and other non-primary purpose income generating activities are carried out within the British Museum Great Court Limited, also wholly owned by the Trustees.

The Directorate Group, chaired by the Director, leads on strategic development, oversees the Museum's planning process and its implementation and links the management functions of the Museum with the Trustees' governance functions.

The Museum Management Group reviews progress against the plan and budget; considers mitigation for risks, discusses emerging concerns relating to Museum activity or external developments, executes an ongoing policy review and acts as an information sharing group for heads of departments.

The Project Board oversees the gatekeeping process for major projects.

The Public Programme Board oversees the Museum's public programme of exhibitions, events, lectures, seminars, adult and other education programmes.

The Research Board reviews the Museum's academic research strategy and oversees all major research projects taking place within the Museum.

The Space Planning Board is responsible for the evolution of the Space Plan strategy and for its implementation.

## Friends' organisations

The work of the Museum is supported by two 'friends' associations. British Museum Friends is a registered charitable trust that furthers collecting, public services and conservation and services the needs of the Friends. The American Friends of the British Museum (AFBM) supports the Museum's development by raising funds for the Museum in the United States. Each is separately administered and independent of the Museum.

Some curatorial departments also have groups of supporters: the Caryatids (Greek & Roman Antiquities), the Friends of the Ancient Near East (Ancient Near East), and the Patrons of Old Master Drawings (Prints and Drawings).

## Our operations

### Deployment of resources

The Museum's role in London, in terms of developing and maintaining permanent exhibitions in galleries, putting on temporary exhibitions and public events, providing visitor services including guides, tours, catering, cloakrooms etc, associated security and of maintaining relationships with local stakeholders such as Camden Borough Council, schools and communities are estimated to cost £20.9m p.a.

The Museum's national activity of loans and touring exhibitions, working with the museum community and the education sector, broadcasting and new media has an estimated cost of £1.2m p.a.

The resources applied to the Museum's wider worldwide programme outside of the UK, of international exhibitions, cultural partnerships and diplomacy cost an estimated £1.5m p.a.

The gross resources being applied to maintaining and improving the Museum's capacity are estimated as follows:

Collections management, storage, research, conservation, security, including registering, documenting, imaging and interpreting the collection	£9.8m p.a.
People – organisational development, recruitment and training	£1.9m p.a.
Buildings and estate maintenance, utilities, investment	£14.6m p.a.
Strengthening the Museum's external relationships	£0.5m p.a.
Using modern technology in support of engagement	£2.5m p.a.
Income generation	£13.9m p.a.
Fundraising	£0.9m p.a.

These estimates are derived from the analysis of resources expended, set out in note 5 to the accounts.

### The estate

All the Museum's departments are now based on its main site at Bloomsbury. Two buildings in Hoxton provide additional workshops and storage. Textiles and archaeological and general materials are stored at a property in Hammersmith shared with the Science Museum and the Victoria and Albert Museum.

### Visitors

Statistically speaking, a representative profile of visitors to the museum is one in which some 50% come from the UK and 50% from overseas. Of the UK visitors, 46% come from the Greater London area, 41% have previously visited the Museum within the last two years, 16% are children aged 15 and under, 12% are from lower socio-economic groups and 8% are from ethnic minorities.

### Staff

The British Museum employs some 1,025 full time equivalent staff. It endeavours to safeguard the quality of its work by ensuring staff of the highest calibre are recruited, that they are well trained and that they are well managed and work in an environment in which they can give of their best. Regular communications with staff are effected by a number of means:

- the British Museum consultative committee meets quarterly to allow matters raised by staff to be aired between management and union representatives; employees are encouraged to discuss with their representatives any matters about which they are concerned and factors affecting the Museum. The Chairman and Director attend one meeting each year
- minutes of Management Group meetings are placed on the Museum intranet
- the Directorate holds informal weekly meetings open to all staff, with presentations and open discussion of topical issues

- the Museum Plan is made available in summary form on the Museum's intranet and the Directorate hold open meetings with staff to explain the principles underlying it
- office notices are regularly issued to advise staff of events, job opportunities, organisational changes, common procedures and where to find information.

Central to the Museum's purpose of cultural representation is achievement of diversity at every level, in its staff and governance, curation, education and audiences. The British Museum is an equal opportunities employer. It recruits people based on merit and seeks to recruit from the diverse communities in London and nationally. It has a published human resources policy on the recruitment, employment and development of staff regardless of their gender, ethnicity, sexual orientation or disability. The Museum also has procedures to adjust work or the environment if appropriate when a person's circumstances or abilities change.

A health and safety awareness programme continues to achieve improvements in practice. Although there was a slight increase in the number of recorded public and staff accidents (104 compared with 92 in 2004/05) there was a significant decrease in accidents involving contractors (14 compared with 24 in 2004/05). The main category of accidents continues to be slips, trips and falls with manual handling being a secondary issue for staff. An initiative to tackle slips and trips on staircases led to the proportion of all accidents in this category falling to 43%, compared with 50% in 2004/05. In a similar vein, manual handling accidents reduced to 1% during 05/06 from 5% in 2004/05. The majority of public accidents involve children so visitor service staff are placing extra effort on discouraging excitable behaviour by children, particularly in groups. The decrease in contractors' accidents follows the introduction of an improved contractor approval and induction process and is encouraging.

A confidential employee assistance programme offers independent professional help on personal issues whether work related or otherwise. It is available to all staff and has a steady uptake.

## Volunteers

Some 350 volunteers freely contribute their time to supporting the Museum's activities. They contribute to most areas of the BM, in the departments where they provide valuable help with general administration or library work, on projects where they help with collating and recording vital collection information, in the Round Reading Room where they help the staff and with the visiting public, for whom they run the free Hands On handling programme and the free eyeOpener tours and for whom they ensure that events, lectures and talks run smoothly. The accounts do not provide for any notional costs for the value of the volunteers' services.

## Suppliers

The Museum abides by the Better Payment Practice Code and aims to settle bills within 30 days or by the due date. In 2005/06 it paid 70% of invoices within the target. Invoice approval processes are being strengthened to improve on this.

## Performance against strategy

### Financial performance

2005/06 marked further consolidation of the Museum's financial position with a bottom line £619,000 increase in unrestricted reserves.

The operating deficit of £2,194,000 (surplus of £1,279,000 in 2004/05) was struck after a charge of £1,010,000 for an onerous lease provision for an unlet property and after allocating more income towards capital expenditure than in the past (£5,889,000 compared with £3,223,000 in 2004/05). Excluding these two factors, the Museum's operations delivered a small surplus. Operational income was ahead of plan due to the success of three exhibitions. Costs were contained, despite inflationary energy cost increases, due to successful implementation of changes to facilities management and to a lesser extent from vacancies held prior to structural changes in certain departments.

Strong growth in the stock market led to gains on investments of £2,239,000 (£1,554,000 in 2004/05). These served to cover the operating deficit and a £420,000 actuarial loss on a closed pension scheme, leaving revenue reserves down by £652,000 (of which £731,000 is unrestricted) while unrestricted capital reserves increased by £1,350,000.

Total capital expenditure, excluding acquisitions for the collection, came to £7,225,000 compared with just £3,692,000 in 2004/05. This marked the first phase of the longer term development programme necessary to bring the Museum's main buildings and facilities up to the required standard. Acquisitions for the collection were valued at £2,320,000 (£1,163,000 in 2004/05).

### Museum in London

The Museum received 4.5 million visitors in the year (4.8 million in 2004/05). The terrorist attacks in July led to an initial 25% reduction in visitors but the numbers recovered towards the end of the year, due in large part to the great success of the Palmer, Ancient Persia and Michelangelo exhibitions.

175,000 school children (201,000 in 2004/05) and 55,000 adult learners (51,000 in 2004/05) attended a wealth of structured and informal events. A successful English Speakers of Overseas Languages programme was launched and a range of activities and events for families was provided during school holidays. A number of school visits were cancelled following the events in July 2005. But for this, the target of 180,000 schoolchildren would have been met. Including schoolchildren, the total number of children aged under 15 visiting the Museum was 873,000 (943,072 in 2004/05).

Visitor satisfaction remained high during the year with 98% of sampled visitors responding that they were satisfied or very satisfied with their experience (98% in 2004/05). The number of UK visitors aged 16 and over classified as in lower socio economic groups (NS SEC 5-8) is estimated at 190,000 (target 183,250). Television and regional partnerships are also being used very effectively to meet the aim underlying this target, to reach a more diverse audience.

The Museum has embarked on an extensive gallery improvement plan to further enhance this experience, which will result in better lighting, object display, information, environment and visitor orientation. The first improvement came with installation of air cooling in the Greek and Roman Life room. This was followed in Easter 2006 with the reopening of the refurbished Manuscripts Saloon, which holds changing displays of major objects displaced from other galleries while these are being refurbished. It additionally offers better access for visitors to the Enlightenment Gallery and opens up a key section of a planned circular ground floor route for visitors. Current projects include the Prints and Drawings gallery, the Japanese gallery, the Late Medieval gallery, the Iran gallery, the Early Agriculture gallery and refurbished Roman Britain and Iron Age galleries.

The Museum's catering concessions were contracted to Do and Co in May 2006 in a partnership designed to improve significantly the quality and range of catering on offer to visitors.

A season of major cultural events ran from February to October 2005, celebrating contemporary and past cultures from across the African continent in partnership with the Arts Council England, the South Bank Centre and the BBC. These included:

- a Garden for Africa constructed by Ground Force in the forecourt of the Museum
- Africa Day staged with the BBC on 26 June 2005
- launch of the Commission for Africa report in March 2005 – attended by the Prime Minister, the Chancellor of the Exchequer and Bob Geldof
- Tree of Life, a sculpture welded from decommissioned weapons and installed in the Great Court. Made as part of the Transforming Arms into Tools programme (TAE) with the support of Christian Aid
- a Parliamentary conference on Africa, 19-22 October 2005, organised by the British Council and with speakers including Archbishop Desmond Tutu.

Informal events such as the Africa Garden brought in families and individuals from communities presently underrepresented among visitors.

A number of successful exhibitions were staged including:

- *Samuel Palmer: Vision and Landscape* – 51,139 visitors
- *Forgotten Empire: The World of Ancient Persia* – 154,267 visitors
- *David Milne Watercolours: Painting Toward the Light* – 41,760 visitors
- *Kabuki Heroes on the Osaka Stage, 1780-1830* – 9,634 visitors
- *Mummy: The Inside Story* – 388,065 visitors.

Changing installations in Room 3, sponsored by Asahi Shimbun:

- *Made in Africa*
- *Views from Africa*
- *Samurai to Manga: Japan Across the Centuries.*

Two very successful debates on Africa and Iran were staged in conjunction with the Guardian and chaired by Jon Snow. More are planned for 2006/07.

The Museum continues to publish the results of the research conducted on its collection. In addition to a large number of papers published in refereed scholarly journals, a number of books were published in the past 12 months including:

- *Michelangelo Drawings*: H Chapman
- *The Late Gold and Silver Coins from the Hoxne Treasure*: P Guest
- *Arctic Clothing*: J King, B Pauksztat, R Storrie
- *The Greeks in the East*: A Villing
- *Catalogue of the Babylonian Tablets in the British Museum*: C B F Walker, M Sigrist, R Zadok.

The Museum's research is of a high quality and this was acknowledged by the granting of 'analogue status' to the Museum by the Arts and Humanities Research Council. Analogue status enables the Museum to bid directly for research funding, as if it were a university.

The Arts & Humanities Research Council has approved funding to Birkbeck College for a project on which it is collaborating with the department of Prints & Drawings and to Goldsmiths College for a 5 year Melanesian project in collaboration with the department of Africa, Oceania and Americas. In conjunction with the Natural History Museum, the Museum has received substantial additional funding from the Leverhulme Trust for the Ancient Human Occupation of Britain project.

## Museum in Britain

Within the wider UK, a series of exhibitions and objects toured around regional museums within the Partnership UK programme to reach new audiences. 1,868 collection objects were lent to 167 UK venues in 2005/06, largely funded by the Dorset Foundation including:

- *Throne of Weapons* – to over 20 venues as diverse as Norwich, Wrexham, Pentonville prison and shopping centres
- *Across the Board: Around the World in 18 Games* – to 4 venues funded by DCMS and DfES and due to continue touring over the next year
- *Sudan Ancient Treasures* – to Bowes Museum, County Durham
- *Buried Treasure: Finding our Past* – completed its tour at Newcastle and Norwich where it was seen by 150,000 visitors, having previously gone to Manchester and Cardiff
- *Mold Gold Cape* – on display in Wrexham Museum where it contributed to a 245% increase in visitors.

The UK Youth Parliament ran a conference at the Museum on 14th December 2005, at which six government ministers, including Tessa Jowell and Harriet Harman, chaired discussion groups of young people, looking at issues such as education, international affairs and the environment.

As metal detecting has grown as a hobby, so has the Museum's workload arising from the Treasure Act's Code of Practice. The number of cases handled over each of the last five years to 2005/06 has grown significantly: 397, 422, 530, 584, 981. The Portable Antiquities Scheme, established to record finds of other objects and materials and co-ordinating the work of regional finds officers has also been very successful with a database now of over 180,000 objects. Management of the Portable Antiquities Scheme passed from the Museums, Libraries and Archives Association to the British Museum on 1 April 2006.

Television and Radio:

- *Ground Force* – the construction of the garden was televised nationwide in July 2005 to an estimated audience of 2 million
- *Michelangelo Drawings: Closer to the Master* – a documentary was made with the BBC in advance of the exhibition opening
- Radio 4 Nightwaves programme – a discussion on the Olduvai Gorge hand axes, from the *Made in Africa* display
- Front Row, BBC Radio – a story on the exhibition *Forgotten Empire: The World of Ancient Persia*, as it was due to open.

Press coverage has been extensive throughout the last year, most noticeably with regard to the Persia and Michelangelo exhibitions and Africa 05.

A number of new websites have been launched, including Discover Islamic Art (an EU project), Ancient Greece and The World of Ancient Persia.

## Museum in the World

The Museum signed Memoranda of Understanding with Ethiopia, Kenya, Mozambique, Mali, China and Canada during the year.

A number of exhibitions toured abroad including:

- *Mummy: The Inside Story* to Houston, Texas (100,000 visitors); Mobile, Alabama (60,000 visitors to date); and Madrid, Spain (300,000 visitors)
- *Treasures of the British Museum* to Seoul (300,000 visitors), Busan (150,000 visitors), Taegu in Korea (100,000 visitors) and then on to Beijing, China
- *Forgotten Empire: The World of Ancient Persia* to Barcelona, Spain (190,000 visitors).

1,692 collection objects were lent to 110 venues internationally in 2005/06.

International touring exhibitions over the past year have brought income for the Museum which has been particularly valuable in enabling small interventions on storage improvements, acquisitions, research and international exchanges to be fast tracked.

A collaborative exhibition, *Hazina: Traditions, Trade & Transitions in East Africa*, opened in Kenya in March 2006. It was put together by Kiprop Lagat of the National Museum of Kenya, using loans from the BM to illustrate Kenya's place in wider African history and culture.

As part of an ongoing programme of international curatorial links and training exchanges, two training programmes were run for overseas curators: three Iraqi interns received training in museology and site management techniques and scholars from Egypt came on a course run in collaboration with the Petrie Museum, UCL, and the Fitzwilliam Museum, Cambridge.

The final Ancient Greece site was added to the set of ancient civilisations websites. These sites are very popular and represent the channels for 6,160,000 outreach learners (4,951,000 in 2004/05). When the main Museum and COMPASS sites are further taken into account we received 8,755,000 visits to all our websites, well ahead of the 7,600,000 target.

Excavation and fieldwork is carried out in many countries throughout the world including Lebanon, Ecuador, Egypt, Pakistan, Sudan and India.

Trustees were pleased to agree the loan of a 19th Century Kwakwaka'wakw transformation mask to the U'mista Cultural Society of Alert Bay, British Columbia. The loan was made in time to be included in a celebration of the 25th anniversary of the foundation of the U'mista Cultural Society and has contributed to a good cultural relationship between the Museum and the Namgis First Nation.

## Capacity

### Collections Management

Major improvements have been made to the main Asia collection store in the King Edward Building, to the Asiatic and European collections stores at Orsman Road and to stores for ethnographical material, metals and part of the Greek and Roman collection. This is part of an ongoing plan to modernise the facilities for collection storage and is reflected in an increase to 71%, from 67% in 2004/05, in the key performance indicator 'the percentage of the collection stored at correct environmental conditions'.

Objects valued at £2.32m were acquired in the year (£1.2m in 2004/05), with the support of the Heritage Lottery Fund, the Art Fund, the British Museum Friends and income from international exhibitions, including:

- the Radiant Buddha, which was acquired jointly with the Victoria & Albert Museum
- the Staffordshire Moorlands Pan, jointly with the Potteries Museum and Art Gallery Stoke on Trent and the Tullie House Museum and Art Gallery Carlisle
- Sir Thomas Lawrence's portrait of Lady Hamilton
- an Anglo Saxon gold coin depicting Coenwulf, King of Mercia (796 – 821)
- a pair of Gold Chocolate Cups ca 1700
- a pair of Tanjore paintings ca 1785.

The Museum's human remains policy was published in response to section 47 of the Human Tissue Act 2004 and the DCMS Code Guidance on the Care of Human Remains in Museums. On 23 March 2006, Trustees considered a claim from the Tasmanian Aboriginal Centre Inc. for the repatriation of two ash bundles in the Museum's collection. Having regard to the full circumstances of the claim the Trustees agreed that it was reasonable and appropriate that their policy presumption in favour of the retention of human remains vested in the Museum's collections should not apply to this claim; and that the two ash bundles should be transferred from the Museum's collection to the Tasmanian Aboriginal Centre pursuant to section 47 of the Act, to be disposed of in an appropriate mortuary fashion.



300,000 new electronic object records of items were logged on the collection management system in 2005/06. Some 2,800,000 are now completed. As a result, the performance indicator of the percentage of the collection documented to international electronic standards advanced from 36.2% to 40.5%. Further improvements to the quantity and quality of electronic documentation of the collection and making more images and information available on the website are central to the Museum's forward plans for dissemination of collection information.

## Trustees and staff

Six new trustees joined the Board: Chief Emeka Anyaoku, Sir Ronald Cohen, Francis Finlay, Stephen Green, Bonnie Greer and Niall FitzGerald. Four new senior managers were appointed: the Keeper of Conservation, Documentation & Science, the Keeper of Africa, Oceania and the Americas; the Head of the British Museum Friends and the Director of Development.

A new pay and grading system and the values based competency framework which underpins it were adopted throughout the Museum. The pay and grading system is based on job families and market rates. The competency framework also underpins the forward programme of learning and development activities. The Museum's significant investment in these changes should lead to improved salary progression and personal and career development opportunities for staff. Training programmes to improve everyday team working and effectiveness of senior and middle managers have already been rolled out.

The diversity strategy addresses all areas of the Museum: the Trustees, staff and volunteers as well as visitors. Trustees are drawn from increasingly diverse backgrounds, and the Museum is participating in programmes such as Global Graduates and the Arts Council's Inspire schemes which are designed to introduce greater diversity among its staff. The current ethnic profile of staff is: 82% white, 9% black, 4% Asian/Oriental, 2% mixed and 3% other.

Following three years of steady improvement to the staff sickness and absenteeism records in which the annual average number of days taken per person reduced from 8.8 to 6.9, this measure rose to 7.7 days in 2005/06. Better processes for reporting sick leave and an increase in the prevalence of flu and colds are believed to have contributed to this. Attendance management processes have been improved but this measure is also being monitored for risk management purposes in relation to staff capacity and health.

## Buildings

A 5 year contract has been let with Norland Managed Services to provide all of the Museum's building services including mechanical, electrical, fire & security systems and building maintenance.

£6.9m capital expenditure is reflected in permanent galleries completing after the year end: the Manuscripts Saloon, the Japanese and Prints and Drawings galleries, galleries 49 – 53 and the East stairs. It is also reflected in an improved retail outlet for temporary exhibitions, modernisation of the main Asia store, disabled access improvements, improved roof access safety, fire safety, security and visitor facilities.

## Relationships

Considerable effort has been put into developing relationships locally, nationally and internationally. Key initiatives include the local community liaison group, the all party Parliamentary group, a series of advocacy breakfasts, the China Task Force and the British Council.

## Technology

In support of the Museum's strategy to develop collections management information, there has been an ambitious programme to update the technology used in the photographic studios and link the studios into the Museum's data network. A digital image bank has been constructed to hold the many and growing number of images of the collection objects and related events and activities. Some 200,000 images are already lodged in this bank, referenced to and retrievable from the core collection information database.

The image bank also holds the high resolution images for the Museum's commercial picture library. These images are available on the internet and a full e-commerce site has been successfully launched with an initial offering of 5,000 high quality images. Customers can search for and select images, construct their orders, pay for them online and then download their purchases.

A new outline for the Museum's website has been developed, preparatory to its relaunch with a more accessible feel, content and structure in early 2007. A content management system is being procured for the purpose.

New or upgraded business applications and services have been implemented to support box office, facilities, diary and space management, Friends' activities, photographic services and portable technologies. A wireless networking trial for collections storage areas has also been built into part of the storage facilities refurbishment.

## Grant-in-Aid

The British Museum receives Grant-in-aid from the Department for Culture, Media and Sport. In 2005/06 this amounted to £39,794,000. The Department has confirmed the level of funding it will make available for the years ending 31 March 2007 and 2008.

## Income generation

The very successful Ancient Persia, Michelangelo and Palmer exhibitions generated excellent admissions income.

The British Museum Company generated relatively healthy operating profits during the year (£653,000 compared with £751,000 in 2004/05) despite loss of trade during two key summer months. Merchandising in support of the international exhibitions and retail and publishing sales at home in support of the Ancient Persia, Michelangelo and Palmer exhibitions were particular areas of strength. However, a net loss is posted when two charges are taken into account. The Company vacated its offices in Bloomsbury Street in 2005 and moved into new accommodation on the Museum's site for cost and operational efficiency. The vacated offices have yet to be sublet, so there is a £1,010,000 charge for the full residual lease commitment on the premises. Once the building has been let, much of this provision should be released. The second charge arises from actuarial valuation of the liabilities and assets of its closed pension scheme. A ten year funding plan has been agreed for the pension scheme which should be adequately covered by trading profits. The negative balance on reserves in BMCo is expected to be extinguished within the next two to three years. It will be kept under close observation.

At £1,138,000, the operating profit from trading activities in the British Museum Great Court Ltd was similar to that of 2004/05 (£1,139,000), as additional contributions from catering, conferences and corporate patrons were offset by lower contributions from education and photographic sales. Photographic sales are increasingly being transacted through the British Museum Company using the online facility.

Total net income from trading amounted to £1.7m in 2005/06, comfortably ahead of the £1.26m target.

A run of successful international exhibitions, in addition to cementing relationships with other museums in countries such as China, Japan, Korea, the USA and Spain, generated further useful income to fund new activities at home.

## Fund Raising

During the year £4,892,000 was received for restricted and unrestricted purposes in cash and a further £2,716,000 in future payments was pledged. In addition, objects valued at £763,000 were donated to the Museum's collection.

Private income continues to be crucial to the future development of the Museum. But for support from private individuals, charitable trusts and foundations and the corporate sector, the Museum would not be able to carry out the range of activities and projects that it does provide and the Museum is deeply appreciative of all the support it has received from all sources.

This support included a major gift for capital works to fund the forthcoming Medieval gallery. Major exhibition sponsorships were secured from BP for *Mummy: The Inside Story* and *Forgotten Empire: The World of Ancient Persia*; The Iran Heritage Foundation for *Forgotten Empire: The World of Ancient Persia*, Dubai Holding for *Word into Art*, and the Annenberg Foundation for *Medals of Dishonour*.

Important grants were received from a number of statutory bodies, including the Department for Culture, Media and Sport towards learning and information; the Heritage Lottery Fund towards acquisitions of artefacts; the National Heritage Memorial Fund towards acquisitions of artefacts and the DCMS/Wolfson Fund for gallery improvements.

The Art Fund also made significant grants towards acquisitions.

The Museum's corporate partnership scheme, whose members include Asahi Shimbun, Bank of Tokyo-Mitsubishi, Bloomberg, BP, BUPA, Credit Suisse UK Ltd, Dubai Holding, esure, Goldman Sachs, Linklaters and Nichols Group, continues to flourish and attract new partners.

## Efficiency Savings

Over the course of the last three years the Museum has achieved efficiency savings of some £7.2m, primarily from the actions taken to reduce annual operating costs by £6m, which included reducing staffing levels, consolidating curatorial activities back onto the Bloomsbury site and disposing of surplus properties. Process improvements such as introduction of an online photographic library, improved management of Facilities Management through contracting out, contracting of the payroll, reducing the use of consultants, implementation of a procurement strategy to reduce the number of low value invoices and rationalise the number of suppliers have all contributed to further savings. Forward plan for further efficiency savings are in hand.

## Investments

It is the Trustees' policy to invest the Museum's permanent endowment trust funds so as to maximise the income earned on them while maintaining their real capital value over the long term. The investment policy for the other trust funds is to maximise overall returns while limiting the risk of capital loss.

Both these aims were met in 2005/06 with the permanent endowment funds recording capital gains of 16.9% while generating income of 4.9% and other trust funds achieving combined gains of 23.1%. Although the FTSE 100 index increased by 26% over the same period the main equity investments performed well in their sector and Trustees are satisfied with the performance.

The investments are essentially long term, so the risks of short term price volatility are acceptable. As they are quoted units the liquidity risk is very low.

## Reserves

At 31 March 2006 the Museum's reserves were as follows

	£m
Collection items acquired since 31 March 2001	30
Land, buildings, plant and equipment	412
Permanent endowment trust funds	13
Restricted capital funds	6
Restricted revenue funds	8
Unrestricted reserves	<u>72</u>
Total	541

The collection items, the fixed assets and the permanent endowment trust funds are fully employed for the operation of the Museum and are not available for any other purposes. The restricted capital and revenue funds represent disposal proceeds and donations which may only be used for specified capital projects or for the acquisition of specified types of object for the collection or for funding staff for specified activities.

Subject to Trustees' policies and Government resource accounting constraints, the unrestricted reserves are available for investing in the Museum's future. Of the £72 million unrestricted reserves at 31 March 2006, £2.0 million is already designated, £46.2 million is available for capital expenditure and £24.0 million may be used either for revenue or capital expenditure.

Trustees have directed that total unrestricted and undesignated reserves should not be allowed to fall below £15 million, of which at least £5 million should be in the form of revenue reserves. This is to provide continuing assurance that the solvency of the Museum will not be put at risk by unforeseen short term income and expenditure variances and that, in the absence of commercial insurance, there are sufficient reserves for business continuity in the event of building or other fundamental infrastructure failure. Levels of unrestricted and undesignated reserves are kept under close scrutiny to ensure they do not fall below these minima.

£10.3m unrestricted revenue reserves and £39.7m unrestricted capital reserves from the proceeds of sale of the Study Centre building in 2002 have been designated towards implementation of a £100m – £170m development programme on the Bloomsbury site planned for completion by 2015.

The programme provides for major collection storage facilities, a collection management centre, a special exhibitions centre and new permanent galleries. The collection storage and collection management centre will provide much needed central facilities for processing loans, carrying out conservation and appropriate care of the collection. The Study Centre was originally planned to provide such facilities off site, so it is appropriate that the proceeds of sale of that building are designated for these purposes. The special exhibition centre will enable visitors to see our exceptional exhibitions in greater numbers and comfort than is possible at present. Very ambitious fundraising will be required for this programme and the reserves will provide bridging, matching and some short term underwriting capital over six to ten years to ensure that the programme proceeds at a reasonable pace.

The Museum's unrestricted and undesignated reserves at 31 March 2006 consequently totalled £20 million, of which £13.7 million were revenue.

The Museum expects to invest a further £6 million of these reserves over the next three years on its website, IT infrastructure, feasibility studies, restructuring costs, backlog building maintenance, minor storage and catering facility improvements. Over this period the building in Bloomsbury Street is expected to be let and reserves replenished sufficiently to sustain the £15m minimum requirement. The balance on reserves will be kept under close scrutiny.

## Basis of Preparation of Financial Statements and Accounting Policies and Practices

The Financial Statements follow the form directed by the Secretary of State with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992; in essence to meet the requirements of the accounting standards issued by the Accounting Standards Board and the Statement of Recommended Practice Accounting for Charities (the Charities SORP) in so far as those requirements are appropriate. A copy of the Accounts Direction may be obtained by contacting the Director of Finance and Administration at the British Museum.

The Museum is complying with the requirements of the Charities SORP. It has chosen to expand the normal Statement of Financial Activities and to distinguish revenue from capital funds, in order to provide a clear expression of its accountability as an organisation providing services to the public. An Income and Expenditure Statement is also provided to report financial performance on a more consistent basis with the recognition of restricted donations being matched with that of the expenditure which they fund, rather than when they become receivable.

So far as the Accounting Officer is aware, the Museum has disclosed all relevant information to its auditors, the Comptroller and Auditor General. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information. In addition to auditing the Museum's subsidiaries, Grant Thornton LLP provided the Museum with tax and VAT advice.

## Report of the Audit Committee

The task of the Audit Committee is:

- to monitor on behalf of the Board that:
  - the Director and staff are acting within the terms set down by law, regulation, other guidance and within the authority given by the Board, with efficiency and probity
  - major risks to the strategy are identified and are being managed
  - resources are being used effectively and efficiently
  - the accounting process has integrity and effective internal controls are in place
  - reports received under the Museum's policies are investigated and acted upon.

- to review and make recommendations to the Board on the acceptability of the Museum's annual accounts for signature and their laying before Parliament in accordance with the Acts
- to review and provide assurance to the Board concerning the Statement on Internal Control.

The Committee met three times during the past year. In that time it:

- reviewed and discussed items appearing in the Risk Register, which is a standing item on the Audit Committee agenda
- reviewed and monitored progress on Incident Management and Business Recovery
- considered particular risks posed by fundraising and management transition
- received at each meeting presentations from departmental management on their approach to Internal Controls and Risk Management. The presentations included Conservation, Documentation & Science, Exhibitions, Learning and Information, Human Resources, Project Management, Ancient Near East, Prints & Drawings
- evaluated and monitored the work of Internal Audit, including:
  - executive summaries of internal audit reports
  - Internal Audit progress against plan
  - the Head of Internal Audit's Annual Statement of Assurance
- reviewed and agreed the Statement on Internal Control
- reviewed internal and external financial statements and reports against best practice
- considered the following reports, which are prepared in support of the Statement on Internal Control:
  - Annual Report on Security
  - Annual Report on Health & Safety
  - Annual Report on the State of Conservation of the Collection
  - Budget Holders' Annual Assurance Statements: Summary of Returns
- took account of formal and informal reports and other feedback from the external auditors including matters arising from the ISA 260 report
- held private discussions with the internal and external auditors.

Specific matters raised or proposed by the Committee included:

- the need to review business recovery arrangements at Blythe House
- that the Internal Audit Programme should include a review of collection management issues relating to the movement of objects
- that there should be an assessment of the impact of events on 7th July (and subsequently) and rising energy costs on the Museum
- that Management should look at each of the separate risks underlying senior management changes
- that the Business Recovery Working Group should consider the steps necessary to protect the Museum's paper records
- that fundraising should be a standing item on the agenda of the Standing Committee
- undertake self-assessment.

Particular progress was made in the past year on incident management and business recovery. Shortfall on fundraising is the only risk that merits an assessment of high probability and high impact and clearly needs to continue to be the focus of major attention by Trustees and management. Management structure and resource will also require further consideration. Otherwise, the only significant remaining issue relates to the Head of Internal Audit's Annual Statement of Assurance, which this year was limited on the basis of exceptional concerns relating to project management. They have been reflected in the wording of the Statement on Internal Control.

*Neil MacGregor*  
Accounting Officer

*Niall FitzGerald*  
Trustee

*David Lindsell*  
Trustee

13 July 2006

# Appendix 1

## The Board of Trustees

Mr Niall FitzGerald KBE (*Chairman from 4 July 2006, appointed trustee 23 March 2006*)<sup>(6)</sup>  
 Sir John Boyd KCMG (*Chairman to 3 July, retired as trustee 3 July 2006*)  
 Chief Emeka Anyaoku<sup>(1)</sup>  
 (*appointed 20 July 2005*)  
 Mr Hasan Askari  
 Lord Broers  
 Sir Ronald Cohen  
 Professor Sir Barry Cunliffe KBE<sup>(4)</sup>  
 Mr Francis Finlay  
 Ms Val Gooding  
 Mr Stephen Green  
 (*appointed 7 July 2005*)  
 Ms Bonnie Greer

Professor Martin Kemp FBA  
 (*retired 6 November 2005*)  
 Dr Olga Kennard OBE FRS<sup>(5)</sup>  
 Baroness Kennedy QC  
 Hon Philip Lader<sup>(6)</sup>  
 (*retired 22 March 2006*)  
 Mr Richard Lambert  
 Mrs Edmée Leventis  
 Mr David Lindsay  
 Mr David Norgrove  
 Mr Tom Phillips RA<sup>(2)</sup>  
 Lord Powell KCMG<sup>(6)</sup>  
 Mr Eric Salama  
 Mr Vikram Seth  
 Sir Keith Thomas FBA<sup>(3)</sup>  
 Sir John Tusa<sup>(6)</sup>

Fifteen Trustees are appointed by the Prime Minister.  
 The remaining Trustees are appointed by:

- <sup>(1)</sup> the Sovereign
- <sup>(2)</sup> the Royal Academy
- <sup>(3)</sup> the British Academy
- <sup>(4)</sup> the Society of Antiquaries of London

<sup>(5)</sup> the Royal Society

<sup>(6)</sup> the Trustees

A register of Trustees' interests is maintained by the Museum's solicitor and is open to inspection at the Museum on application to him.

## Trustees' Committees and Membership

The Chairman of the Trustees is an *ex officio* member of all Committees other than the Audit Committee.

### Standing Committee

Mr Niall FitzGerald KBE (*Committee Chair from 4 July 2006*)  
 Sir John Boyd KCMG (*Committee Chair to 3 July 2006*)  
 Professor Sir Barry Cunliffe KBE  
 Mr David Lindsay  
 Lord Powell KCMG  
 Sir Keith Thomas FBA

### Audit Committee

Mr David Norgrove (*Committee Chair*)  
 Mr Hasan Askari  
 Dr Olga Kennard OBE FRS  
 Mr Richard Lambert

### Nomination and Governance Committee

Mr Niall FitzGerald KBE (*Committee Chair from 4 July 2006*)  
 Sir John Boyd KCMG (*Committee Chair to 3 July 2006*)  
 Baroness Kennedy QC  
 Sir John Tusa  
 Ms Val Gooding  
 Mr Tom Phillips RA

### Investment Sub-committee

Mr David Lindsay (*Committee Chair*)  
 Mr Hasan Askari  
 Sir Ronald Cohen

## Trustee membership of related Councils and Boards

### British Museum Company Limited: Board of Directors

Mr David Lindsell (*Chairman*)  
Professor Sir Barry Cunliffe KBE  
Mr Eric Salama  
Sir John Tusa

### British Museum Development Trust: Board

Sir John Boyd (*Chairman*)  
Mr Richard Lambert  
Mr David Lindsell

### British Museum Friends: Council

Professor Sir Barry Cunliffe KBE  
Mr David Lindsell

### The American Friends of the British Museum

Mr Francis Finlay

## Official Addresses

Principal address:	The British Museum, Great Russell Street, London WC1B 3DG
Study collections/storage:	Franks House, 38 to 56 Orsman Road, London N1 5QJ Blythe House, 23 Blythe Road, London W14 0PQ
British Museum Great Court Limited:	The British Museum, Great Russell Street, London WC1B 3DG
British Museum Company Limited:	38 Russell Square, London WC1B 3QQ
Auditors:	The Comptroller and Auditor General, 157-159 Buckingham Palace Road, Victoria, London SW1W 9SP  Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
Bankers:	National Westminster Bank Plc, 214 High Holborn, London WC1V 7BX  Paymaster (1836) Ltd, Russell Way, Crawley, West Sussex RH10 1UH
Solicitor:	Mr Tony Doubleday, Head of Legal Services, British Museum



## Remuneration Report

Two staff occupy roles of senior managers within the Museum and its subsidiaries as defined by Treasury.

Neil MacGregor, the Director, received remuneration of £120,000 for the year (2004/05 £120,000) consisting solely of salary and the Museum paid pension contributions on his behalf to the Principal Civil Service Pension Scheme of £29,520 (2004/05 £22,200). The cash equivalent transfer value of his accrued pension at 31 March 2006 was £1,308,636 (31 March 2005 £1,093,653). The Nominations and Governance Committee, whose members are listed in Appendix 1, assesses the performance of the Director each year. There is no performance payment in his remuneration and his salary is agreed with the Chairman. His contract commenced in 2002 and expires in 2011. Details of his accrued pension and related lump sum are shown in note 5(e) to the accounts.

The Museum has put in place a job family pay structure for other staff. Staff are allocated to clusters within each job family according to their responsibilities and competencies. All staff below their cluster or personal pay maxima are entitled to an annual, standard uplift and to annual progression payments.

The majority of staff are employed on permanent contracts. Some staff working on discrete short term projects are employed on contracts which match the duration of the projects concerned. All staff employed on contracts of one year or more are entitled to join the Principal Civil Service Pension Scheme, a defined benefits scheme. Details of the scheme are shown in note 19 to the accounts.

Andrew Thatcher, the Director of the British Museum Company Ltd, received remuneration of £99,664 for the year (2004/05 £88,947) including a bonus of £8,033 (2004/05 £nil). He received pension contributions of £8,817 (2004/05, £8,560). He is not a member of the Principal Civil Service Pension Scheme or of any other final salary pension scheme.

The Company has a remuneration committee consisting of three directors. The committee recommends the salary review to be awarded to the executive directors, approves the conditions of their annual bonus scheme and recommends any bonus payments awardable under the scheme

The Company operates a defined contribution scheme which is open to all employees. It also has a closed final salary pension scheme. Details of these schemes are also shown in note 19 to the accounts.

*Neil MacGregor*  
Accounting Officer

*Niall FitzGerald*  
Trustee

13 July 2006

## Statement of Trustees' and Accounting Officer's Responsibilities

Under Section 9 (4) and (5) of the Museum and Galleries Act 1992, the Trustees of The British Museum are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with the consent of the Treasury. The accounts are prepared to show a true and fair view of the Museum's financial activities during the year and of its financial position at its year end.

In preparing the Museum's accounts the Trustees are required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply them on a consistent basis
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Museum will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport designated Neil MacGregor as the Accounting Officer for the Museum. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in Government Accounting.

*Neil MacGregor*  
Accounting Officer

*Niall FitzGerald*  
Trustee

*David Lindsell*  
Trustee

13 July 2006

# Statement on Internal Control

## 1. Scope of responsibility

As Accounting Officer I, Neil MacGregor, have responsibility for maintaining a sound system of internal control that supports the achievement of the British Museum's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

As Chairman of the Audit Committee of the Board of Trustees I, David Norgrove, have delegated responsibility from the Board of Trustees for satisfying myself and the Board that such a sound system of internal control is maintained within the British Museum.

The Museum has a three-year Funding Agreement with its sponsor department, the Department for Culture, Media and Sport, which includes targets in support of the Department's own Public Service Agreement targets and which identifies the most significant risks to achievement of the Museum's objectives. Progress against the Funding Agreement targets is monitored at least twice a year.

## 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Museum's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

## 3. Capacity to handle risk

The Accounting Officer has overall responsibility for the Museum's risk management framework. The Directorate Group, which meets to receive and consider reports or recommendations for action or decision to the Accounting Officer, co-ordinates the management of risk within the Museum's departments and ensures that the Museum's risk register is kept up-to-date. It is supported for this purpose by the Director of Finance and Administration, with advice from Internal Audit. Risk management within departments is supplemented by risk assessments and monitoring by project managers for cross-departmental projects.

## 4. The risk and control framework

The Museum managers and the Directorate Group notify new risks as they arise to the Director of Finance and Administration, who maintains the Museum's risk register. The Directorate Group regularly reviews the risks on the risk register, reassesses their likelihood of occurrence and potential impact and considers indicators for monitoring the risk, actions to reduce the likelihood and appropriate responses should the risk materialise. The responsibility for managing each risk is assigned to a senior manager in the Museum.

The Audit Committee of the Board of Trustees reviews the risk register and actions taken at each of its meetings. It focuses on the risks scored highest for combined likelihood and impact and challenges the Museum's officers for evidence of good management. It holds meetings with the Museum's middle management to assure itself that risk management and internal controls are thoroughly understood and effectively implemented at operating level.

The risk management priorities for the Museum during 2005/06 have been to maintain the focus of managers on delivering the Museum's three year strategic plan: developing effective space planning, developing the medium term exhibition programme, outsourcing hard facility management services, implementing a new pay and grading system and building public support.

Risk management is embedded within the organisation through established business planning processes, which ensure that risks to achieving business plan initiatives are identified as the initiatives are developed and project risks are considered at each project gateway.

## 5. Review of effectiveness

We have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors includes an annual report that contains the Head of Internal Audit's opinion of the overall adequacy and effectiveness of the risk management, control and governance processes
- the Directorate Group, which reports on the effectiveness of risk management and the Museum's system of internal controls to the Accounting Officer, who attends the Audit Committee and reports to the Board
- the Audit Committee, which has oversight of the internal audit function. The Chairman of the Audit Committee reports to the Board of Trustees annually for its approval on the effectiveness of risk management and the Museum's system of internal control, regularly for updates on progress against action points on the risk register, and as required for emerging issues related to risk management
- the executive managers within the Museum, represented by the Museum Management Group, who have responsibility for the development and maintenance of the internal control framework and who advise the Directorate on risks and risk management
- quarterly reports from the Head of Security to the Directorate Group
- comments made by the external auditors in their management letter.

In addition, all budget-holders provide the Accounting Officer with annual Assurance Statements. Further, the Accounting Officer and the Audit Committee are now provided with annual reports on Security, Health & Safety and the State of Conservation of the Collection.

The Museum has reviewed its controls on Procurement and Project Management and has recognised the need for significant strengthening of these.

Working with the Board and the Audit Committee we plan to ensure continuous improvement to the system.

*Neil MacGregor*

*David Norgrove*

12 July 2006

# The Certificate and Report of the Comptroller and Auditor General to The Houses of Parliament

I certify that I have audited the financial statements of The British Museum for the year ended 31 March 2006 under the Museums and Galleries Act 1992. These comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Financial Activities, the Balance Sheets, the Consolidated Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Board of Trustees, the Director, and auditor

The Board of Trustees, and the Director, as Accounting Officer, are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, and for ensuring the regularity of financial transactions funded by Parliamentary grant ("Grant in Aid"). These responsibilities are set out in the Statement of Trustees' and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport. I also report whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if The British Museum has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 25 to 26 reflects The British Museum's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Trustees' and Director's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of The British Museum's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' and Accounting Officer's Annual Report, and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to The British Museum's and the group's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, of the state of affairs of The British Museum and the group as at 31 March 2006 and of the incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport; and
- in all material respects the expenditure, income and resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no other observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

19 July 2006

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Consolidated Income and Expenditure Account For the year ended 31 March 2006

	Notes	2006 £000s	2005 £000s <i>restated</i>
<b>Income</b>			
Grant-in-aid	2	<b>39,794</b>	37,893
Donations and legacies		<b>2,853</b>	3,137
Commercial Trading Activities	10(c)	<b>14,173</b>	14,732
Investment income and rent receivable	3	<b>2,585</b>	2,337
Incoming Resources from charitable activities	5(b)	<b>4,556</b>	2,901
Less Income allocated to Capital Expenditure		<b>(5,889)</b>	(3,223)
		<b>58,072</b>	57,777
<b>Expenditure</b>			
Costs of generating voluntary income		<b>49,703</b>	46,755
Fund raising and publicity		<b>723</b>	645
Commercial Trading Activities	10(c)	<b>14,541</b>	14,269
Charitable Activities		<b>3,088</b>	1,959
Governance Costs		<b>258</b>	304
Less depreciation allocated to Capital Funds		<b>(8,047)</b>	(7,434)
		<b>60,266</b>	56,498
(Deficit)/Surplus before gain on investments and exceptional items		<b>(2,194)</b>	1,279
Gain on investments		<b>2,239</b>	1,554
Actuarial (Loss)/Gain on defined benefit scheme		<b>(420)</b>	130
Exceptional item: VAT settlement		<b>0</b>	7,374
Exceptional Item: Rates renegotiation		<b>0</b>	867
Surplus for the year		<b>(375)</b>	11,204
Transfers:			
From Permanent Endowment Funds		<b>0</b>	1,065
From Restricted Capital Funds		<b>(4)</b>	447
(To)/From Designated Capital Funds		<b>288</b>	525
Surplus for the year after transfers		<b>(91)</b>	13,241
Deferred Restricted Income		<b>(561)</b>	(425)
Revenue Reserves at 1 April 2005	15(a)	<b>34,096</b>	21,280
Revenue Reserves at 1 April 2006	15(a)	<b>33,444</b>	34,096

The figures for 2005 have been restated to reflect a corrected valuation for a defined benefit scheme. Full details are given in Note 22.

The above figures do not reflect an increase in value of £29,943,000 arising from a revaluation of the Museum's fixed assets at 31 March 2006 (2005: £27,889,000) as it is credited to capital funds and has no impact on the Museum's operating costs. The revaluation is reflected in the Statement of Financial Activities and hence no Statement of Total Recognised Gains and Losses is presented. Full details are given in Note 7(c).

*The notes on pages 34 to 51 form part of these accounts.*

All amounts relate to continuing operations.

# Consolidated Statement of Financial Activities

## For the year ended 31 March 2006

	Notes	Revenue Funds			Capital Funds			Total Funds			Total 2005 £000 <i>Restated</i>	
		Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Acquisitions £000	Unrestricted £000	Restricted Endowment £000	Permanent £000		Total 2006 £000
<b>Incoming Resources</b>												
<b>Voluntary Income</b>												
Grant-in-aid	2	37,780	0	37,780	0	2,014	0	37,780	2,014	0	39,794	
Donations and legacies		799	1,450	2,249	0	995	2,074	799	4,519	0	5,318	
<b>Activities for generating funds</b>												
Commercial Trading Activities	10(c)	14,173	0	14,173	0	0	0	14,173	0	0	14,173	
Investment income and rent receivable	3	2,431	154	2,585	1,653	55	0	4,084	209	(3)	4,290	
Incoming Resources from charitable activities	5(b)	3,885	714	4,599	0	0	0	3,885	714	0	4,599	
Total Incoming Resources		59,068	2,318	61,386	1,653	3,064	2,074	60,721	7,456	(3)	68,174	
<b>Resources Expended</b>												
Costs of generating Funds												
Costs of generating voluntary income		39,109	2,725	41,834	0	7,869	0	39,109	10,594	0	49,703	
Fund raising and publicity		704	0	704	0	19	0	704	19	0	723	
Commercial Trading Activities	10(c)	14,541	0	14,541	0	0	0	14,541	0	0	14,541	
Charitable activities		2,933	0	2,933	0	155	0	2,933	155	0	3,088	
Governance Costs		249	5	254	0	4	0	249	9	0	258	
Total Resources expended	5(a)	57,536	2,730	60,266	0	8,047	0	57,536	10,777	0	68,313	
Net incoming resources before transfers	4	1,532	(412)	1,120	1,653	(4,983)	2,074	3,185	(3,321)	(3)	(139)	
Transfers between funds	15(b)	(3,469)	(122)	(3,591)	(303)	3,648	246	(3,772)	3,772	0	0	
Net incoming resources before other recognised gains and losses		(1,937)	(534)	(2,471)	1,350	(1,335)	2,320	(587)	451	(3)	(139)	
Gains on revaluation of fixed assets for the Museum's own use	7(a)	0	0	0	0	29,943	0	0	29,943	0	29,943	
Gains on investment assets		1,626	613	2,239	0	0	0	1,626	613	1,986	4,225	
Actuarial (Loss)/Gain on defined benefit pension scheme		(420)	0	(420)	0	0	0	(420)	0	0	(420)	
Exceptional item: VAT settlement		0	0	0	0	0	0	0	0	0	0	
Exceptional item: Rates renegotiation		0	0	0	0	0	0	0	0	0	0	
Net movement in funds	15(a)	(731)	79	(652)	1,350	28,608	2,320	619	31,007	1,983	33,609	
Fund balances brought forward at 1 April	15(a)	26,505	7,591	34,096	45,097	389,521	27,826	71,602	424,938	11,049	507,589	
Fund balances carried forward at 31 March	15(a)	25,774	7,670	33,444	46,447	418,129	30,146	72,221	455,945	13,032	541,198	

The notional cost of capital is reported in note 6.

The figures for 2005 have been restated to reflect a corrected valuation for a defined benefit scheme. Full details are given in Note 22.

All operations of the Museum continued throughout both periods and none were discontinued in either period.

The British Museum has no recognised gains and losses other than those above and consequently no separate Statement of Total Recognised Gains and Losses has been presented.

The notes on pages 34 to 51 form part of these accounts.



## Consolidated Balance Sheet as at 31 March 2006

	Notes	2006 £000s	2005 £000s <i>restated</i>
<b>Fixed Assets</b>			
Tangible assets	7(a)	<b>413,674</b>	384,888
Heritage Assets	8	<b>30,146</b>	27,826
Investments	9(a)	<b>26,717</b>	22,383
		<b>470,537</b>	435,097
<b>Current Assets</b>			
Stock-goods for resale		<b>2,026</b>	2,191
Debtors	11	<b>6,329</b>	4,776
Short term investments	9(b)	<b>76,500</b>	73,500
Cash at bank and in hand	9(c)	<b>5,993</b>	7,017
Total Current Assets		<b>90,848</b>	87,484
Creditors: amounts falling due within one year	12	<b>(14,243)</b>	(9,635)
Net current assets		<b>76,605</b>	77,849
Total assets less current liabilities		<b>547,142</b>	512,946
Provision for liabilities and charges:	13		
Early retirement provision		<b>(1,834)</b>	(1,814)
Liability on surrender of lease		<b>(1,010)</b>	(183)
Net Assets excluding pension liability		<b>544,298</b>	510,949
Liability on defined benefit pension scheme	19	<b>(3,100)</b>	(3,360)
Net Assets including pension liability		<b>541,198</b>	507,589
Represented by:			
<b>Capital Funds</b>	15(a)		
Permanent Endowments		<b>13,032</b>	11,049
Restricted Funds		<b>448,275</b>	417,347
Unrestricted Funds			
Designated Funds		<b>39,974</b>	38,524
General Funds		<b>6,473</b>	6,573
		<b>507,754</b>	473,493
<b>Revenue Funds</b>	15(a)		
Restricted Funds		<b>7,670</b>	7,591
Unrestricted Funds			
Designated Funds		<b>12,117</b>	1,468
General Funds excluding pension liability		<b>16,757</b>	28,397
Pension Reserve		<b>(3,100)</b>	(3,360)
Unrestricted Funds including pension liability		<b>13,657</b>	25,037
Total Funds		<b>541,198</b>	507,589

The figures for 2005 have been restated to reflect a corrected valuation for a defined benefit scheme. Full details are given in Note 22.

*The notes on pages 34 to 51 form part of these accounts.*

Neil MacGregor  
Accounting Officer

Niall FitzGerald  
Trustee

David Lindsay  
Trustee

13 July 2006

## Museum Balance Sheet as at 31 March 2006

	Notes	2006 £000s	2005 £000s
<b>Fixed Assets</b>			
Tangible assets	7(b)	<b>412,207</b>	383,321
Heritage Assets	8	<b>30,146</b>	27,826
Investments	9(a)	<b>26,717</b>	22,383
Investment in subsidiaries	10(a)	<b>1,250</b>	1,250
		<b><u>470,320</u></b>	<u>434,780</u>
<b>Current Assets</b>			
Debtors	11	<b>7,758</b>	6,565
Short term investments	9(b)	<b>74,500</b>	71,500
Cash in bank and in hand	9(c)	<b>4,584</b>	4,689
		<b><u>86,842</u></b>	<u>82,754</u>
Creditors: amounts falling due within one year	12	<b><u>(13,000)</u></b>	<u>(8,214)</u>
Net current assets		<b>73,842</b>	74,540
Total assets less current liabilities		<b>544,162</b>	509,320
<b>Provision for liabilities and charges</b>			
Early retirement provision	13	<b><u>(1,834)</u></b>	<u>(1,814)</u>
Net assets		<b><u>542,328</u></b>	<u>507,506</u>
Represented by:			
<b>Capital Funds</b>			
Permanent Endowments	15(a)	<b>13,032</b>	11,049
Restricted Funds		<b>448,275</b>	417,347
Unrestricted Funds:			
Designated Funds		<b>39,974</b>	38,524
General Funds		<b>5,006</b>	5,006
		<b><u>506,287</u></b>	<u>471,926</u>
<b>Revenue Funds</b>			
Restricted Funds	15(a)	<b>7,670</b>	7,591
Unrestricted Funds:			
Designated Funds		<b>12,117</b>	1,468
Unrestricted Funds		<b>16,254</b>	26,521
		<b><u>36,041</u></b>	<u>35,580</u>
Total Funds		<b><u>542,328</u></b>	<u>507,506</u>

The figures for 2005 have been restated to reflect a corrected valuation for a defined benefit scheme. Full details are given in Note 22.

*The notes on pages 34 to 51 form part of these accounts.*

Neil MacGregor  
Accounting Officer

Niall FitzGerald  
Trustee

David Lindsell  
Trustee

13 July 2006

## Consolidated Cash Flow Statement For the year ended 31 March 2006

	Notes	2006 £000s	2005 £000s <i>restated</i>
<b>Net cash inflow from operating activities</b>	16(a)	<b>6,577</b>	10,935
<b>Returns on investments and servicing of finance:</b>			
Interest received		<b>3,864</b>	3,422
Dividends received		<b>118</b>	249
Rents Receivable		<b>308</b>	306
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>4,290</b>	3,977
<b>Investing Activities:</b>			
<b>Capital expenditure and financial investments:</b>			
Purchase of tangible assets		<b>(7,225)</b>	(3,692)
Purchase of heritage assets		<b>(1,557)</b>	(622)
Purchase of fixed asset investments		<b>(109)</b>	0
<b>Net cash outflow from investing activities</b>		<b>(8,891)</b>	(4,314)
<b>Management of liquid resources</b>			
Net (purchase) sale of short term investments		<b>(3,000)</b>	(9,500)
<b>Increase/(Decrease) in cash</b>	16(c)	<b>(1,024)</b>	1,098

The figures for 2005 have been restated to reflect a corrected valuation for a defined benefit scheme. Full details are given in Note 22.

*The notes on pages 34 to 51 form part of these accounts.*

# Notes to the Accounts

## 1 Accounting Policies

### *Accounting Conventions*

- (a) The accounting format and policies are prescribed in the Accounts Direction issued by the Secretary of State for Culture, Media and Sport in accordance with the Museum's Financial Memorandum. A copy of the Direction is available from the Director of Finance and Administration at The British Museum.
- (b) The financial statements are prepared under the historical cost convention as modified by the revaluation of tangible fixed assets and the treatment of investments, which have been included at market value.

Without limiting the information given, the accounts meet the requirements of accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate including the Statement of Recommended Practice (Revised 2005) Accounting and Reporting by Charities issued by the Accounting Standards Board.

Consolidated accounts include the Museum's operating statement, trust funds owned and administered by the Museum, the British Museum Development Trust which fundraises for the Museum, and its trading companies The British Museum Company Limited and The British Museum Great Court Limited. The consolidation has been carried out on a line by line basis.

### (c) *Statement of Financial Activities (SOFA)*

- (i) This statement discloses the totality of the resources receivable by the Museum during the year and their disposition. Resources are allocated to particular funds according to their purpose. Permanent endowment, capital and revenue elements are shown separately.
- (ii) All incoming resources are accounted for on a receivable basis. Grant-in-aid is taken to the SOFA in the year in which it is received. Grants for fixed assets are recognised in the SOFA when they are received or receivable.

Sponsorship receipts and donations are recognised as incoming resources when the conditions for their receipt have been met.

Legacies are recognised as incoming resources when there is certainty that the conditions have been met and there is certainty as to the amount. Income from endowment funds is restricted.

- (iii) Resources expended are classified in the SOFA under the principal categories of charitable and other expenditure rather than under the type of expense.

Resources expended comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they have been allocated to activities according to the space occupied by each activity. Fundraising and publicity costs are those incurred in seeking voluntary and sponsored contributions for the Museum. Governance Costs are those costs incurred in connection with the general governance of The British Museum including compliance with constitutional and statutory requirements.

The Museum is covered by the provisions of the VAT act 1994 s 33a, which allows it to recover the majority of VAT which is borne.

Irrecoverable VAT is treated as a finance cost and apportioned over the activities of the Museum as described in note 5.

### (d) *Income and Expenditure Account*

- (i) The Museum substantially achieves its objectives through current operations, the majority of which are revenue generating. The Income and Expenditure Account measures current operating results.
- (ii) All income is accounted for on a receivable basis. Grant-in-aid is taken into account in the year in which it is received. Income in relation to sponsorship and restricted donations is accounted for in the year in which funded activities take place.
- (iii) Current expenditure is classified under the relevant headings as set out in (c)(iii) above.

(e) *Collection Acquisitions*

Acquisitions for the collection since 1 April 2001, whether donated or purchased, are capitalised and recognised in the balance sheet at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable and reliable. Items donated or bequeathed to the Museum's collection are valued by internal valuers if an external valuation for the items is not available. Such items are not depreciated or revalued as a matter of routine.

(f) *Tangible Fixed Assets*

Assets with an economic life of more than one year and value greater than £5,000 are capitalised.

All assets are carried at current cost valuations unless the Trustees consider that this is not materially different from historic cost.

Depreciation is provided on all tangible assets, other than freehold land, at rates calculated to write off the value of each asset evenly over its expected useful life, as follows:

Freehold buildings	15 to 100 years
Capital improvements to leasehold properties	life of lease
Exhibitions and galleries	25 years
Plant and Machinery	10 to 15 years
Furniture, fit out and equipment	3 to 10 years

No residual value is assumed for any asset at the end of the period of depreciation.

It is the policy of the Trustees of the British Museum to plan the maintenance and refurbishment of the buildings on an even basis and at a level designed to maintain and preserve the buildings for the foreseeable future. The cost of such works is written off to the SOFA and the Income and Expenditure Account in the year incurred.

An annual impairment review is carried out by one of the Museum's employees who is a member of RICS.

(g) *Investments*

Investments are stated at market value as at 31 March 2006. Realised and unrealised gains and losses on investments relating to revenue funds are reflected in both the Statements of Financial Activities and the Income and Expenditure Account whilst realised and unrealised gains and losses on investments relating to the permanent endowment funds are recognised in the Statement of Financial Activities only.

Freehold investment properties have been brought into the accounts at open market value and are not depreciated. This is in accordance with SSAP 19.

The investment in subsidiaries is carried at cost. For further details see note 10.

The Museum carries out an annual impairment review of the investment in its subsidiaries.

(h) *Stock*

Stock is stated at the lower of cost and net realisable value.

(i) *Liabilities*

Liabilities are recognised where legal or constructive obligations mean that it is more likely than not that a transfer of economic benefits will be made.

(j) *Leases*

The British Museum has no finance leases. Costs relating to operating leases are charged in the Income and Expenditure Account and Statement of Financial Activities over the life of the lease.

(k) *Foreign Currencies*

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences are taken to the Income and Expenditure Account and Statement of Financial Activities.

(l) *Pensions*

Pension contributions of British Museum employees are paid to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury.

The British Museum Company Limited has both defined benefit and defined contribution pension schemes.

The British Museum has operated an Early Retirement Scheme which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the Civil Service Pension Scheme. The British Museum bears the costs of these benefits until normal retiring age of the employees retired under the Early Retirement Scheme.

(m) *Notional Costs*

In accordance with Treasury instructions, the notional cost of capital is calculated and details given in Note 6.

(n) *Taxation*

The Museum and the British Museum Development Trust are exempt from Income, Capital Gains and Corporation Tax as Exempt Charities.

The British Museum Company Limited and the British Museum Great Court Limited gift aid their profits to The British Museum and therefore do not pay Capital Gains or Corporation Tax.

(o) *Funds Structure*

The Museum has the following categories of funds:

Restricted permanent endowment funds which the donors have stated are to be held as capital.

Restricted funds are funds subject to specific restriction imposed by sponsors and donors.

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes.

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Museum.

The major funds comprising each category, the summary results for the year and a description of the movements between the funds are described in Note 15.

**2 Grant-in-Aid**

£39,794,000 of Grant-in-aid has been received in the year (2005: £37,893,000) from the Museum's sponsor, the Department for Culture, Media and Sport, including £2,014,000 capital for building improvements (2005: £2,500,000) and £0 from the Capital Modernisation Fund for the Timelines project (2005: £164,000).

**3 Investment Income and Rent Receivable**

	<b>SOFA Capital</b>	<b>SOFA Revenue</b>	<b>I &amp; E</b>	SOFA Capital	SOFA Revenue	I & E
	<b>2006</b>	<b>2006</b>	<b>2006</b>	2005	2005	2005
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	£000s	£000s	£000s
Income from UK bank deposits	<b>1,708</b>	<b>2,116</b>	<b>2,116</b>	1,640	1,741	1,741
Income from UK listed investments	<b>0</b>	<b>161</b>	<b>161</b>	0	290	290
	<b>1,708</b>	<b>2,277</b>	<b>2,277</b>	1,640	2,031	2,031
Rents Receivable	<b>0</b>	<b>308</b>	<b>308</b>	0	306	306
	<b>1,708</b>	<b>2,585</b>	<b>2,585</b>	1,640	2,337	2,337

#### 4 Net Incoming Resources

Net incoming resources are stated after charging:

	<b>2006</b>	2005
	<b>£000s</b>	£000s
Auditors' remuneration: Comptroller and Auditor General Audit Fee	<b>40</b>	43
Auditors' remuneration: Subsidiary Companies Audit Fee	<b>37</b>	34
Auditors' remuneration: Grant Thornton VAT advice	<b>33</b>	0
Operating lease rentals: Hire of plant and machinery	<b>3</b>	3
Operating lease rentals: Land and buildings	<b>247</b>	247

#### 5 Total Resources Expended

(a)	Staff Costs £000s	Other Costs £000s	Depreciation £000s	Support Staff Costs £000s	Support Costs £000s	<b>2006 Total £000s</b>	2005 Total £000s
Care, research and conservation	14,277	9,300	3,680	1,421	982	<b>29,660</b>	28,411
Public access and education	9,896	3,734	4,189	1,315	909	<b>20,043</b>	18,344
Costs of generating voluntary income	24,173	13,034	7,869	2,736	1,891	<b>49,703</b>	46,755
Fundraising and publicity	450	245	19	5	4	<b>723</b>	645
Commercial Trading Operations	4,674	9,552	315	0	0	<b>14,541</b>	14,269
Charitable Activities	757	2,035	155	62	79	<b>3,088</b>	1,959
Governance Costs	118	133	4	2	1	<b>258</b>	304
	<u>30,172</u>	<u>24,999</u>	<u>8,362</u>	<u>2,805</u>	<u>1,975</u>	<b><u>68,313</u></b>	<u>63,932</u>
Support Staff Costs	<u>2,805</u>						
Total Staff Costs	<u>32,977</u>						

Support staff and costs relate to the Museum's Finance, Information Technology and Human Resource functions. The support and depreciation costs are allocated according to the space occupied by each activity.

#### (b) Charitable Activities

The main income generating activities undertaken by the Museum are:

	<b>Income 2006 £000s</b>	<b>Staff and Other costs 2006 £000s</b>	Income 2005 £000s	Staff and Other costs 2005 £000s
Exhibition Income	<b>2,085</b>	<b>2,067</b>	1,312	1,614
Loan of the Collection	<b>1,763</b>	<b>605</b>	887	0
Sale of Guides to the Permanent Collection	<b>294</b>	<b>120</b>	258	106
Other	<b>457</b>	<b>0</b>	511	0
Income per SOFA	<b>4,599</b>	<b>2,792</b>	2,968	1,720
Timing differences on Restricted Income	<b>(43)</b>		(67)	
Income per Income and Expenditure Account	<b>4,556</b>		2,901	

There are no individually significant activities included in Other income and expenditure.

## (c) Reconciliation of Statement of Financial Activities and Income and Expenditure Account

	<b>2006</b>	2005
	<b>£000s</b>	£000s
<b>Income Account</b>		
Income on revenue funds per the Statement of Financial Activities	<b>61,386</b>	57,911
Add Income restricted for capital	<b>2,014</b>	2,664
	<b>63,400</b>	60,575
Income used for capital expenditure	<b>(5,889)</b>	(3,223)
Restricted Income recognised this year in the Income and Expenditure Account	<b>561</b>	425
Income as per the Income and Expenditure Account	<b>58,072</b>	57,777
<b>Expenditure Account</b>		
Expenditure on revenue funds per the Statement of Financial Activities	<b>59,654</b>	56,498
Expenditure as per the Income and Expenditure Account	<b>59,654</b>	56,498

## (d) Staff Costs

	<b>2006</b>	2005
	<b>£000s</b>	£000s
Wages and salaries	<b>25,111</b>	24,440
Social security costs	<b>1,999</b>	1,916
Pension costs	<b>4,113</b>	2,974
Agency staff costs	<b>1,190</b>	1,101
Early Retirement and Voluntary Redundancy Costs	<b>564</b>	1,138
	<b>32,977</b>	31,569

The number of employees, including the Director referred to below, whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:

	<b>2006</b>	2005
£60,001 – £70,000	<b>13</b>	13
£70,001 – £80,000	<b>2</b>	2
£80,001 – £90,000	<b>1</b>	2
£90,001 – £100,000	<b>1</b>	0
£110,001 – £120,000	<b>1</b>	1

Sixteen staff (2005, 16) whose emoluments amounted to more than £60,000 in the year are members of a defined benefit scheme and two staff (2005, 2) are members of a defined contribution scheme. Contributions of £16,477 (2005, £15,996) were paid on behalf of the members of the defined contribution scheme.

## (e) Senior Staff Remuneration

The following staff occupied the roles of senior managers within the Museum during the year, as defined by HM Treasury:

	<b>Remuneration for year 2006 £000s</b>	Remuneration for year 2005 £000s	<b>Real pension increase and related lump sum at age 60 2006 (£2.5k)-£0 [lump sum (£2.5k)-£0]</b>	<b>Total accrued pension at 60 at 31.03.2006 and related lump sum 2006 £55-£60k [lump sum £165-£170k]</b>	CETV* at 31.03.05	<b>CETV* at 31.03.06</b>	Real increase in CETV after adjustments for inflation and changes in market investment factors
Neil MacGregor, Director and Accounting Officer	<b>120</b>	120			£1,093,653	<b>£1,308,636</b>	(£1,138)
Andrew Thatcher, Director of British Museum Co Ltd	<b>100</b>	89	N/A	N/A	N/A	N/A	N/A

The Director of The British Museum Company Limited received pension contributions of £8,817 in the year (2005, £8,539).

He is not a member of the PCSPS nor of a final salary pension scheme.

The Trustees have approved that Mr Neil MacGregor's retirement age can be deferred to age 65.

\* Cash Equivalent Transfer Value



(f) The average number of employees, analysed by function was:

2006	Senior Mangement	Staff	Agency and contract staff	Total
Care, research and conservation	1	451	16	468
Public access and education	0	384	13	397
Trading – Charitable Objectives	0	14	8	22
Fundraising and publicity	0	10	2	12
Commercial Trading Activities	1	119	4	124
Governance	0	2	0	2
	<u>2</u>	<u>980</u>	<u>43</u>	<u>1,025</u>
2005				
Care, research and conservation	1	480	9	490
Public access and education	0	373	5	378
Trading – Charitable Objectives	0	16	5	21
Fundraising and publicity	0	11	0	11
Commercial Trading Activities	1	123	2	126
Governance	0	3	0	3
	<u>2</u>	<u>1,006</u>	<u>21</u>	<u>1,029</u>

(g) Trustees:

The Trustees neither received nor waived any emoluments during the year (2005 £nil). All Trustees are entitled to be reimbursed for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2006 ten trustees (2005, 10) were reimbursed £9,694 (2005: £10,913).

## 6 Notional cost of capital

	<b>2006</b>	2005
	<b>£000s</b>	£000s
Cost of capital	<b>8,767</b>	7,878

The cost of capital is calculated as 3.5% of the average capital employed by the Museum in the year excluding the capitalised value of collection items and any assets funded by donations or the public lottery.

## 7 Tangible Fixed Assets

### (a) Consolidated Tangible Fixed Assets

	Freehold Land and Buildings £000s	Assets in the Course of Construction £000s	Exhibitions and Galleries £000s	Plant and Machinery £000s	Equipment £000s	Total £000s
<b>Current Cost</b>						
At 1 April 2005	293,053	852	19,633	47,071	37,183	<b>397,792</b>
Additions during the year	0	6,999	0	0	226	<b>7,225</b>
Reallocation of Assets	32,656	0	0	0	(32,656)	<b>0</b>
Disposals during year	0	0	0	0	(525)	<b>(525)</b>
Transfer	2,181	(4,514)	453	770	1,110	<b>0</b>
Revaluation Adjustment	25,454	0	163	2,339	(13)	<b>29,943</b>
At 31 March 2006	355,344	3,337	20,249	50,180	5,325	<b>434,435</b>
<b>Depreciation</b>						
At 1 April 2005	1,971	0	4,260	2,936	3,737	<b>12,904</b>
Reallocation of Assets	1,548	0	0	0	(1,548)	<b>0</b>
Disposals during year	0	0	0	0	(505)	<b>(505)</b>
Provided during the year	3,768	0	892	3,176	526	<b>8,362</b>
At 31 March 2006	7,287	0	5,152	6,112	2,210	<b>20,761</b>
<b>Net Book Value</b>						
At 31 March 2006	348,057	3,337	15,097	44,068	3,115	<b>413,674</b>
At 31 March 2005	291,082	852	15,373	44,135	33,446	<b>384,888</b>
Net book value at 31 March 2006 represents fixed assets for						
Directly Charitable Objectives	347,209	3,305	15,061	43,960	1,668	<b>411,203</b>
Other Activities	848	8	36	108	1,471	<b>2,471</b>
	<u>348,057</u>	<u>3,313</u>	<u>15,097</u>	<u>44,068</u>	<u>3,139</u>	<u><b>413,674</b></u>

### (b) Museum Tangible Fixed Assets

	Freehold Land and Buildings £000s	Assets in the Course of Construction £000s	Exhibitions and Galleries £000s	Plant and Machinery £000s	Equipment £000s	Total £000s
<b>Current Cost</b>						
At 1 April 2005	293,053	852	19,633	47,071	34,084	<b>394,693</b>
Additions during the year	0	6,999	0	0	0	<b>6,999</b>
Reallocation of Assets	32,656	0	0	0	(32,656)	<b>0</b>
Disposals during year	0	0	0	0	(11)	<b>(11)</b>
Transfer	2,181	(4,514)	453	770	1,110	<b>0</b>
Revaluation Adjustment	27,454	0	163	2,339	(13)	<b>29,943</b>
At 31 March 2006	335,344	3,337	20,249	50,180	2,514	<b>413,624</b>
<b>Depreciation</b>						
At 1 April 2005	1,971	0	4,260	2,936	2,205	<b>11,372</b>
Reallocation of Assets	1,548	0	0	0	(1,548)	<b>0</b>
Disposals during year	0	0	0	0	(2)	<b>(2)</b>
Provided during the year	3,768	0	892	3,176	211	<b>8,047</b>
At 31 March 2006	7,287	0	5,152	6,112	886	<b>19,417</b>
<b>Net Book Value</b>						
At 31 March 2006	348,057	3,337	15,097	44,068	1,648	<b>412,207</b>
At 31 March 2005	291,082	852	15,373	44,135	31,879	<b>383,321</b>
Net book value at 31 March 2006 represents fixed assets for						
Directly Charitable Objectives	347,209	3,305	15,061	43,960	1,668	<b>411,203</b>
Other Activities	848	8	36	108	4	<b>1,004</b>
	<u>348,057</u>	<u>3,313</u>	<u>15,097</u>	<u>44,068</u>	<u>1,672</u>	<u><b>412,207</b></u>

For asset valuation purposes buildings and their fit-out are treated as one category. In 2004/05 buildings and fit out values were reported as separate categories. Annual depreciation charges are unaffected by the consolidation of the two categories.

- (c) The historic cost of the land and buildings is not known.

All the Museum's properties are revalued for accounting purposes by external chartered surveyors in accordance with the Appraisal and Valuation Standards as published by the Royal Institute of Chartered Surveyors and with FRS 15 – Tangible Fixed Assets. Valuations of the main Museum building at Great Russell Street and its perimeter buildings and of two properties used for storage at Orsman Road were carried out by Gerald Eve as at 31 March 2004. Valuation of the operational property of 1/2 Montague Place was carried out by Kinney and Green as at 31 March 2004. The valuation of Blythe House was carried out by Chestertons on 19 January 2004. The Museum was valued on a depreciated replacement cost basis and Blythe House and the Orsman Road properties were valued on an existing use basis. At that time the Museum operational properties were valued at £301,953,000.

The valuation adjustment of £29,943,000 arises from the the application of relevant indices provided by the Office of National Statistics to Exhibitions and Galleries, Plant and Machinery and Equipment, and a desktop evaluation based on local factors by Gerald Eve applied to Land and Buildings. This has not been included in the Income and Expenditure Account as it has no impact on the operating costs of the Museum.

Blythe House is currently occupied by the British Museum, the Science Museum and the Victoria and Albert Museum on a shared basis with the rights and obligations of ownership accruing to the occupants. It has accordingly been included in the Museum's balance sheet at one third of the valuation.

Depreciation is calculated on the revalued amounts.

## 8 Heritage Assets – Group and Museum

	<b>£000s</b>	£000s
At 1 April 2005	<b>2006</b>	2005
	<b>27,826</b>	26,663
Purchased from Museum resources	<b>205</b>	49
Purchased by the Museum Trust Funds	<b>376</b>	285
Purchased from donations	<b>976</b>	288
Items donated or bequeathed	<b>763</b>	541
At 31 March 2006	<b>30,146</b>	27,826

## 9 Investments

- (a) Fixed Asset Investments - Group and Museum  
Investments comprised the following:

	<b>2006</b>	2005
Investment assets in the UK:		
Listed Common Investment Funds and Unit Trusts	<b>24,834</b>	20,500
Investment Properties	<b>1,883</b>	1,883
	<b>26,717</b>	22,383
Investments at 1 April 2005	<b>22,383</b>	
Additions	<b>109</b>	
Gain in value	<b>4,225</b>	
Investments at 31 March 2006	<b>26,717</b>	

Stock Market Investments are revalued at market value at the year end.

The valuation of investments properties in Bloomsbury were carried out by Kinney and Green at 31 March 2004 in accordance with the RICS Appraisal and Valuation manual. The market value was £1,883,000.

There were no sales of investments in the year.

## (b) Current Asset Investments

	Group		Museum	
	2006 Cost £000s	2005 Cost £000s	2006 Cost £000s	2005 Cost £000s
Short Term Cash Deposits	<b>76,500</b>	73,500	<b>74,500</b>	71,500

## (c) Cash at bank and in hand

	Group		Museum	
	2006 Cost £000s	2005 Cost £000s	2006 Cost £000s	2005 Cost £000s
Balance with Office of Paymaster General	<b>226</b>	464	<b>226</b>	464
Balance with Commercial Banks and in hand	<b>5,767</b>	6,553	<b>4,358</b>	4,225
	<b>5,993</b>	7,017	<b>4,584</b>	4,689

**10 Subsidiaries**

- (a) The Museum owns 100% of the issued share capital of The British Museum Company Limited (BM Co) and of The British Museum Great Court Limited (BMGC). The Museum incorporates their results in the consolidated accounts.

The British Museum Company Limited has capital consisting of 750,000 £1 shares all of which have been issued at par. The British Museum Company Limited owns the whole of the issued share capital of £100 of British Museum Ventures Limited, which is incorporated in England.

The British Museum Great Court Limited has an authorised share capital of 10 million ordinary shares of £1 each, 500,000 of which have been issued at par.

The deficit in The British Museum Company Limited relates to a liability on its defined benefit pension scheme and a provision for an onerous lease on an unlet property. The company has a scheme for funding the pension scheme deficit over the next 10 years and expects to let the property in the near future. The Museum does not consider it necessary to write down its investment in its subsidiary.

## (b) Results of Trading Subsidiaries

	BM Co 2006 £000s	BMGC 2006 £000s	Total 2006 £000s	Total 2005 £000s <i>restated</i>
Turnover	<b>9,094</b>	<b>6,129</b>	<b>15,223</b>	15,290
Cost of sales	<b>(3,681)</b>	<b>(4,624)</b>	<b>(8,305)</b>	(8,385)
Gross profit	<b>5,413</b>	<b>1,505</b>	<b>6,918</b>	6,905
Selling and distribution costs	<b>(2,659)</b>	<b>0</b>	<b>(2,659)</b>	(2,795)
Administrative expenses	<b>(2,181)</b>	<b>(367)</b>	<b>(2,548)</b>	(2,516)
Other operating income	<b>80</b>	<b>0</b>	<b>80</b>	306
Operating profit	<b>653</b>	<b>1,138</b>	<b>1,791</b>	1,900
Finance Cost	<b>(120)</b>	<b>0</b>	<b>(120)</b>	(140)
Interest receivable	<b>74</b>	<b>74</b>	<b>148</b>	168
Onerous lease provision and repairs to onerous lease	<b>(1,036)</b>	<b>0</b>	<b>(1,036)</b>	(557)
Actuarial (Loss)/Gain on defined benefit scheme	<b>(420)</b>	<b>0</b>	<b>(420)</b>	130
Contribution to the Trustees of the British Museum	<b>(363)</b>	<b>(1,212)</b>	<b>(1,575)</b>	(1,855)
Surplus/(deficit) retained in the Company	<b>(1,212)</b>	<b>0</b>	<b>(1,212)</b>	(354)

The figures for 2005 have been restated to reflect a corrected valuation for a defined benefit scheme. See note 22.

The operating profit of The British Museum Company Limited is stated after charging staff costs of £2,989,000 (2005: £3,253,000) and depreciation of tangible fixed assets of £315,000 (2005: £353,000).

The two subsidiaries have made gift aid contributions to the British Museum in the year of £1,575,000 (2005: £1,885,000).

(c) Amounts as shown in the SOFA and Income and Expenditure account are as follows:

	<b>2006</b>	<b>2006</b>	2005	2005
	<b>Turnover</b>	<b>Costs</b>	Turnover	Costs
	<b>£000s</b>	<b>£000s</b>	£000s	£000s
				<i>restated</i>
From The British Museum Company Limited	<b>9,094</b>	<b>9,677</b>	9,334	9,576
Other Operating Income	<b>80</b>	<b>0</b>	306	0
From The British Museum Great Court Limited	<b>6,129</b>	<b>4,991</b>	5,956	4,817
less transactions with the British Museum	<b>(1,130)</b>	<b>(127)</b>	(864)	(124)
	<b><u>14,173</u></b>	<b><u>14,541</u></b>	<u>14,732</u>	<u>14,269</u>
Net assets at 31 March 2006 comprise:				
	<b>BM Co</b>	<b>BMGC</b>	BM Co	BMGC
	<b>2006</b>	<b>2006</b>	2005	2005
	<b>£000s</b>	<b>£000s</b>	£000s	£000s
				<i>restated</i>
Tangible fixed assets	<b>1,467</b>	<b>0</b>	1,567	0
Current assets	<b>3,738</b>	<b>2,818</b>	4,613	2,962
Creditors due within one year	<b>(1,458)</b>	<b>(2,335)</b>	(1,788)	(2,478)
Creditors due after one year	<b>(4,110)</b>	<b>0</b>	(3,543)	0
Net assets	<b><u>(363)</u></b>	<b><u>483</u></b>	<u>849</u>	<u>484</u>

## 11 Debtors

	Group		Museum	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Trade debtors	<b>1,593</b>	602	<b>1,027</b>	119
Other debtors	<b>1,713</b>	1,643	<b>1,403</b>	1,293
Prepayments and accrued income	<b>3,023</b>	2,531	<b>4,068</b>	2,356
Amount due from subsidiaries	<b>0</b>	0	<b>1,260</b>	2,797
	<b><u>6,329</u></b>	<u>4,776</u>	<b><u>7,758</u></b>	<u>6,565</u>

## 12 Creditors

	Group		Museum	
Amounts falling due within one year:	<b>2006</b>	2005	<b>2006</b>	2005
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Trade creditors	<b>5,062</b>	2,361	<b>4,490</b>	1,724
Other creditors	<b>992</b>	2,240	<b>829</b>	1,826
Taxation and Social Security	<b>628</b>	649	<b>562</b>	580
Early retirement	<b>1,110</b>	1,492	<b>1,110</b>	1,492
Accruals	<b>5,529</b>	2,704	<b>5,230</b>	2,508
Deferred Income	<b>922</b>	189	<b>701</b>	35
Amount due to subsidiaries	<b>0</b>	0	<b>78</b>	49
	<b><u>14,243</u></b>	<u>9,635</u>	<b><u>13,000</u></b>	<u>8,214</u>

The movement on the deferred income account is as follows:

	<b>2006</b>	2005
	<b>£000s</b>	£000s
Deferred Income at 1 April	<b>189</b>	141
Released in Year	<b>(189)</b>	(141)
Deferred in Year	<b>922</b>	189
Deferred income at 31 March	<b><u>922</u></b>	<u>189</u>

**13 Provisions and Charges – Group and Museum**

Early retirement and voluntary redundancy commitments at 31 March 2006 are as follows:

	<b>2006</b>	2005
	<b>£000s</b>	£000s
Pension provision brought forward	<b>3,306</b>	4,177
Provision made in year	<b>564</b>	1,138
Payments in year	<b>(926)</b>	(2,009)
	<b>2,944</b>	3,306
Less current portion – included in creditors amounts falling due within one year	<b>(1,110)</b>	(1,492)
	<b>1,834</b>	1,814

The £1,834,000 represents the provision for annual compensation payments for those employees who retire under an approved redundancy scheme aged 50 years or over until they reach the normal retirement age of 60 years. £1,577,000 is payable between 2007 and 2011 and the remaining £257,000 before 2015.

The onerous lease provision of £1,010,000 relates to outstanding rentals on an unlet property until the lease expires in 2011.

**14 Financial Commitments**

At 31 March 2006 the British Museum had annual commitments under operating leases as follows:

	Land and Buildings		Plant and Machinery	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Leases which expire: within one year	<b>0</b>	0	<b>1</b>	1
in the second to fifth year	<b>77</b>	77	<b>2</b>	1
over five years	<b>180</b>	180	<b>0</b>	0
	<b>257</b>	257	<b>3</b>	2

**15(a) Statement of Funds**

	At 1 April 2005 £000s	Income £000s	Expenditure £000s	Investment gains/losses £000s	Movement during year £000s	Transfers between funds £000s	At 31 March 2006 £000s
<b>Capital Funds</b>							
<i>Permanent Endowment Funds</i>	<b>11,049</b>	(3)	0	1,986	<b>1,983</b>	0	<b>13,032</b>
<i>Restricted Capital Funds</i>							
Collection Acquisitions Fund	<b>27,826</b>	763	0	0	<b>763</b>	1,557	<b>30,146</b>
Collection Purchase Fund	<b>525</b>	1,311	0	0	<b>1,311</b>	(1,316)	<b>520</b>
Fixed Asset Revaluation Fund	<b>255,432</b>	0	0	29,943	<b>29,943</b>	0	<b>285,375</b>
Estates Proceeds	<b>3,036</b>	0	0	0	<b>0</b>	0	<b>3,036</b>
Construction Projects Fund	<b>2,639</b>	1,050	0	0	<b>1,050</b>	(1,323)	<b>2,366</b>
Fixed Asset Fund	<b>127,889</b>	2,014	8,047	0	<b>(6,033)</b>	4,976	<b>126,832</b>
	<b>417,347</b>	5,138	8,047	29,943	<b>27,034</b>	3,894	<b>448,275</b>
<i>Unrestricted Capital Funds: Museum</i>							
<i>Designated:</i>							
Study Centre proceeds	<b>38,046</b>	1,653	0	0	<b>1,653</b>	0	<b>39,699</b>
Gallery Refurbishment Reserve	<b>478</b>	0	0	0	<b>0</b>	(203)	<b>275</b>
<i>General:</i>							
Investment Estate	<b>1,883</b>	0	0	0	<b>0</b>	0	<b>1,883</b>
General Funds	<b>3,123</b>	0	0	0	<b>0</b>	0	<b>3,123</b>
	<b>43,530</b>	1,653	0	0	<b>1,653</b>	(203)	<b>44,980</b>
<i>Unrestricted Capital Funds: Subsidiary</i>							
British Museum Co Ltd Fixed Assets	<b>1,567</b>	0	0	0	<b>0</b>	(100)	<b>1,467</b>
<b>Group Unrestricted Capital Funds</b>	<b>45,097</b>	1,653	0	0	<b>1,653</b>	(303)	<b>46,447</b>
<b>Revenue Funds</b>							
<i>Restricted Revenue Funds</i>							
Restricted Income Trust Funds	<b>3,196</b>	154	5	613	<b>762</b>	0	<b>3,958</b>
Deferred Income Fund	<b>4,395</b>	2,164	2,725	0	<b>(561)</b>	(122)	<b>3,712</b>
	<b>7,591</b>	2,318	2,730	613	<b>201</b>	(122)	<b>7,670</b>
<i>Unrestricted Revenue Funds: Museum</i>							
<i>Designated:</i>							
Designated Trust Funds	<b>1,468</b>	0	1	358	<b>357</b>	(9)	<b>1,816</b>
Development Programme	<b>0</b>	0	0	0	<b>0</b>	10,301	<b>10,301</b>
<i>General:</i>							
Unrestricted Trust Funds	<b>5,649</b>	7	40	1268	<b>1,235</b>	118	<b>7,002</b>
Oriental Research Fund	<b>23</b>	0	0	0	<b>0</b>	0	<b>23</b>
General Funds	<b>20,849</b>	43,610	41,251	0	<b>2,359</b>	(13,979)	<b>9,229</b>
	<b>27,989</b>	43,617	41,292	1,626	<b>3,951</b>	(3,569)	<b>28,371</b>
<i>Unrestricted Revenue Funds: Subsidiaries</i>							
British Museum Co Ltd	<b>(1,468)</b>	9,248	10,040	(420)	<b>(1,212)</b>	100	<b>(2,580)</b>
The British Museum Great Court Ltd	<b>(16)</b>	6,203	6,204	0	<b>(1)</b>	0	<b>(17)</b>
	<b>(1,484)</b>	15,451	16,244	(420)	<b>(1,213)</b>	100	<b>(2,597)</b>
<i>Unrestricted Revenue Funds: Group</i>	<b>26,505</b>	59,068	57,536	1,206	<b>2,738</b>	(3,469)	<b>25,774</b>
<b>Total Funds</b>	<b>507,589</b>	68,174	68,313	33,748	<b>33,609</b>	0	<b>541,198</b>

The figures for 2005 have been restated to reflect a corrected valuation for a defined benefit scheme. See note 22.

**Analysis of group net assets between funds**

	Permanent Endowments £000s	Unrestricted Funds £000s	Restricted Funds £000s	<b>Total 2006 £000s</b>
Fund balances at 31 March 2006 are represented by:				
Tangible Fixed Assets	0	1,467	412,207	<b>413,674</b>
Heritage Assets	0	0	30,146	<b>30,146</b>
Fixed Asset Investments	13,041	10,626	3,050	<b>26,717</b>
Current Assets	0	80,264	10,584	<b>90,848</b>
Current Liabilities	(9)	(14,192)	(42)	<b>(14,243)</b>
Early retirement provision	0	(1,834)	0	<b>(1,834)</b>
Liability on surrender of lease	0	(1,010)	0	<b>(1,010)</b>
Liability on defined benefit pension scheme	0	(3,100)	0	<b>(3,100)</b>
<b>Total Net Assets</b>	<b>13,032</b>	<b>72,221</b>	<b>455,945</b>	<b>541,198</b>

The Trustees consider that sufficient resources are held in an appropriate form to enable each fund to be applied in accordance with any restriction imposed.

**Capital: Permanent Endowment Funds**

These consist of funds for which only the income can be used. The major part consists of the Brooke-Sewell Permanent Fund. This was established by Mr Percy Thomas Brooke-Sewell with a series of benefactions made during his lifetime specifically for the purchase of Oriental antiquities and works of art.

**Capital Funds: Restricted**

These consist of a number of funds largely representing the capitalised value of restricted and inalienable fixed assets, including collection items which have been acquired since 1 April 2001.

**Capital Funds: Unrestricted**

These consist of funds designated by the Trustees for various purposes and include:

*Designated Fund – Study Centre Proceeds*

£40m unrestricted capital reserves from the proceeds of sale of the Study Centre building in 2002 have been designated towards implementation of a £100m – £170m development programme on the Bloomsbury site planned for completion by 2015.

**Revenue Funds: Restricted**

## Trust Funds

These consist of a number of funds where the donors have specified the uses to which they may be put. The major funds are as follows:

*Ready Bequest*

A bequest from Miss M Ready to be used for the purchase of Greek and Roman antiquities.

*Sir Joseph Hotung Research*

A donation from Sir Joseph Hotung to support research by the Departments of Ancient Near East and Asia

*Sharpe Bequest*

A bequest from Dr D Sharpe to be used for the purchase of books concerned with Ancient Greece or Rome.

**Revenue Funds: Unrestricted**

## Designated Funds – Trust Funds

*Shaw Fund*

A share of the residue of the estate of George Bernard Shaw to be used for the general purposes of the Museum.

## Designated Funds – Development Programme

£10m unrestricted revenue reserves have been designated towards implementation of a £100m – £170m development programme on the Bloomsbury site planned for completion by 2015.

## General Funds

Trustees have directed that total unrestricted reserves should not be allowed to fall below £15 million, of which at least £5million should be in the form of revenue reserves.



**15(b) Analysis of Transfers between Funds**

	Restricted Capital Funds £000s	Unrestricted Capital Funds £000s	Restricted Revenue Funds £000s	Unrestricted Revenue Funds £000s
Collection purchases funded from GIA	205	0	0	(205)
Capital assets funded from GIA	3,669	0	0	(3,669)
Revenue expenditure incurred from Gallery Refurbishment Fund	0	(188)	0	188
Transfer of Bromberg donation to Trust Funds	0	0	(109)	109
Transfer from Gallery Refurbishment Fund for collection purchases	15	(15)	0	0
Transfer from restricted donations for collection purchases	20	0	(20)	0
BMDT fixed assets transferred to Museum and written off as below capitalisation threshold	(8)	0	0	8
Transfer of expenditure of a revenue nature from Restricted capital	(7)	0	7	0
Net movement on BM Company Fixed Assets	0	(100)	0	100
	<u>3,894</u>	<u>(303)</u>	<u>(122)</u>	<u>(3,469)</u>

**16 Cash Flow Information**

Reconciliation of net incoming resources to net cash inflow from operating activities.

	<b>2006</b> <b>£000s</b>	2005 £000s <i>restated</i>
(a) Net incoming resources before revaluations	<b>(139)</b>	109
Actuarial (loss)/gain on defined benefit scheme	<b>(420)</b>	130
Exceptional item: VAT Settlement	<b>0</b>	7,374
Exceptional item: Rates negotiation	<b>0</b>	867
Donated Assets – Collection Items	<b>(763)</b>	(541)
Investment Income	<b>(4,290)</b>	(3,977)
Depreciation	<b>8,362</b>	7,787
Loss on disposal of Fixed Assets	<b>20</b>	348
Decrease/(Increase) in stocks	<b>165</b>	(20)
Decrease/(Increase) in non-interest/dividend debtors	<b>(1,553)</b>	483
(Decrease) in early retirement creditors	<b>(382)</b>	(617)
Increase)/(Decrease) in early retirement provisions	<b>20</b>	(254)
Increase/(Decrease) in non early-retirement creditors	<b>4,990</b>	(937)
(Decrease)/Increase in pension fund provision	<b>(260)</b>	0
Increase in surrender of lease provision	<b>827</b>	183
Net cash inflow from operating activities	<u><b>6,577</b></u>	<u>10,935</u>

The figures for 2005 have been restated to reflect a corrected valuation for a defined benefit scheme. Full details are given in Note 22.

(b) Reconciliation of net cash flow to movement in net funds			
(Decrease)/Increase in cash in the period	<b>(1,024)</b>		1,098
Cash flow from increase/decrease in liquid resources	<b>3,000</b>		9,500
Movement in net funds in the period	<b>1,976</b>		10,598
Net funds at 1 April	<b>80,517</b>		69,919
Net funds at 31 March	<u><b>82,493</b></u>		<u>80,517</u>
(c) Analysis of net funds			
	<b>2006</b>	Cash Flow	2005
	<b>£000s</b>	£000s	£000s
Liquid Resources:			
Short Term Deposits	<b>76,500</b>	3,000	73,500
Cash at bank and in hand	<u><b>82,493</b></u>	<u>1,976</u>	<u>80,517</u>

## 17 Related Party Transactions

The British Museum is a Non Departmental Public Body whose parent body is the Department for Culture, Media and Sport. During the year, the British Museum had a number of transactions in the normal course of business and at full arms length with the Department and certain of its subsidiary bodies.

Lord Powell of Bayswater is a trustee of the Karim Rida Said Foundation which sponsors an Arab World post. The Museum received £56,000 in the year.

Mr FitzGerald is a trustee of the Leverhulme Trust which made a grant to the Natural History Museum's Ancient Human Occupation of Britain for which the British Museum is a contributor. The Museum received £51,239 during the year.

The Museum reimbursed Churchill College £12,015 (2005: £11,406) towards the costs of secretarial support for the Chairman, Sir John Boyd.

The British Museum has loaned items from the collections to the following organisations during 2005-06 which have the Department for Culture, Media and Sport or other Government Departments as a parent organisation:

National Gallery, London	Natural History Museum, London
British Library, London	Imperial War Museum
National Maritime Museum	National Museums of Wales
Victoria and Albert Museum	Museum of London
Tate Gallery, London	Horniman Museum
National Portrait Gallery	Wallace Collection

The British Museum has borrowed items from the collections of the following organisations during 2005-06 which have the Department for Culture, Media and Sport as the sponsoring department:

National Gallery, London	British Library, London
National Portrait Gallery	Royal Armouries
National Museums of Scotland	Sir John Soane's Museum
Tate Gallery, London	Museum of London
Victoria and Albert Museum	

During the year none of the Trustees, members of key management staff or other related parties has undertaken any material transaction with the Museum, except as described above.

## 18 Capital Commitments

At the balance sheet date, outstanding capital commitments approved amounted to some £5,858,000 of which £2,971,000 was contracted for.

## 19 Pensions

Present and past employees of the British Museum are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi employee defined benefit scheme. The liability for payment of future benefits is a charge to the PCSPS. The British Museum, and other bodies covered by the PCSPS, meet the cost of pension cover for their staff by payment of annual charges calculated as below. For the purpose of these accounts the pension scheme has been treated as a defined contribution scheme.

There is a separate scheme statement for the PCSPS as a whole. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation on the [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk) website.

Staff who are members of the scheme can be in one of three statutory based "final salary" schemes, namely, classic, premium, and classic plus. New entrants after 1 October 2002 may choose between membership of the premium scheme or can join a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account). The differences between the schemes can be found at the website address given above.

For 2005-06, contributions of £3,658,229 (£2,594,746 for 2004-05) were paid to the Paymaster General (Civil Superannuation Vote) at rates determined from time to time by the Government Actuary and advised by the Treasury.

For 2005-6 the rates were as follows: for salaries under £18,000, 16.2%, for salaries between £18,001 and £37,000, 18.6%, for salaries between £37,001 and £63,500, 22.3%, for salaries over £63,501, 24.6%.

For 2004-5 and 2003-04 these rates were as follows: for salaries £17,500 and under, 12%, for salaries between £17,501 and £36,000, 13.5%, for salaries between £36,001 to £62,000, 16.5%, for salaries over £62,001, 18.5%.

The British Museum Company Limited operates a defined contribution scheme for the benefit of employees who commenced their employment after 1 January 2000. The assets of the scheme are self administered in funds independent from those of the company. The company operates a defined benefit scheme for its employees, who commenced their employment prior to 1 January 2000, 'The British Museum Company Limited Retirement Benefits Plan'. The assets of the scheme are held separately from those of the Company and are managed by The British Museum Company Trustee Company Limited.

A full actuarial valuation of the scheme was carried out on 1 May 2002 and updated to 31 March 2006 by a qualified independent actuary to reflect the difference in actuarial assumptions and the time period elapsed. Pension costs are assessed in accordance with the advice of a qualified actuary using the attained age method. The assumptions, which have the most significant effect on the results of the valuation, are that, over the long term, investment returns would be at the rate of 8.5% per annum and that this would exceed the rate of salary growth by 2.5%.

The market value of the scheme assets as at 1 May 2002 was £3,625,618. The actuarial value of those assets was sufficient to cover 90% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Current and future contributions reflect the deficiency.

With effect from 1 May 2003, a schedule of contributions was put into place to fund the scheme's defined benefits at the rate of 28% per annum of pensionable salary for scheme members. For employees joining the scheme before 1 November 1993, the scheme is non contributory. Employees joining the scheme with effect from 1 November 1993 pay 5% of pensionable salary towards the total. The cost of insuring the death in service benefits is payable in addition to these amounts.

The total employers pension contributions for entities adhering to the scheme was £910,000 which includes a payment of £750,000 as part of the plan to reduce the deficit in the pension scheme. (2005: £160,000). At the balance sheet date £9,647 was outstanding (2005, £9,883).

### Financial Reporting Standard No 17

The qualified actuary, independent of any participating employers, has adjusted the data used in the actuarial valuation for the 1 May 2002 valuation, for the purposes of calculating the FRS No 17 disclosures for the year ended 31 March 2006. The information required in connection with Financial Reporting Standard No 17 and the defined benefit scheme is as follows:

At 31 March 2006 the market value of assets in the scheme, the expected long term rate of return from them and the present value of scheme liabilities, as defined in accordance with Financial Reporting Standard No 17 and valued by the group's actuary were as follows:

	% per annum	
	2006	2005
Rate of increase in salaries*	2.25%	2.25%
Rate of increase in inflation*	2.25%	2.25%
Rate of increase of pensions in payment	nil to 5.5%	N/A
Discount Rate	5.00%	5.5%

\* chosen by employer

The assets in the scheme and the expected long term rate of return were:

	Long term rate of return expected at 31.03.2006	Value at 31.03.2006	Long term rate of return expected at 31.03.2005	Restated Value at 31.03.2005
	%	£000s	%	£000s
Equities	7.0	4,520	7.5	3,110
Bonds	5.0	600	5.5	1,310
Other	4.5	1,210	4.5	10
Total market value of assets		6,330		4,430
Present value of scheme liabilities		(9,430)		(7,790)
Surplus (deficit) in the scheme		(3,100)		(3,360)

Analysis of the amount charged to operating profit	<b>31.03.2006</b>		31.03.2005
	<b>£000s</b>		£000s
Current service cost	<b>110</b>		150
Total operating charge	<b>110</b>		150
Analysis of the amount credited to other financial income	<b>31.03.2006</b>		31.03.2005
	<b>£000s</b>		£000s
Expected return on pension scheme assets	<b>310</b>		260
Interest on pension scheme liabilities	<b>(430)</b>		(400)
Net Return	<b>(120)</b>		(140)
Analysis of the amount recognised in Statement of Financial Activities	<b>31.03.2006</b>		31.03.2005
	<b>£000s</b>		£000s
Actual return less expected return on pension scheme assets	<b>690</b>		180
Changes in the assumptions underlying the present value of the scheme liabilities	<b>(1,110)</b>		(50)
Actuarial gain recognised in SOFA	<b>(420)</b>		130
The history of experience gains and losses has been:	<b>31.03.2006</b>	<b>31.03.2006</b>	31.03.2005
	<b>%</b>	<b>£000s</b>	31.03.2005
			<b>%</b>
			<b>£000s</b>
Difference between expected and actual return on scheme assets		<b>690</b>	180
Percentage of scheme assets	<b>11</b>		4
Percentage of the present value of scheme liabilities	<b>0</b>		0
Total actuarial gains and losses		<b>420</b>	130
Percentage of scheme assets	<b>4</b>		2
0			
The movement in the deficit in the year was:	<b>31.03.2006</b>		31.03.2005
	<b>£000s</b>		<i>Restated</i>
			£000s
Deficit in scheme at 1 April	<b>(3,360)</b>		(3,390)
Current Service Cost	<b>(110)</b>		(150)
Contributions	<b>910</b>		190
Other finance income	<b>(120)</b>		(140)
Actuarial gain/(loss)	<b>(420)</b>		130
	<b>(3,100)</b>		(3,360)

## 20 Contingent Liabilities

The Museum has no contingent liabilities at the year end.

## 21 Financial Instruments

FRS 13 Derivatives and other financial instruments, requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks that the Museum faces in undertaking its role.

### Liquidity Risks

In 2005-06 £39,794,000 of The British Museum's income derived from Grant-in-Aid provided by the Department for Culture, Media and Sport. £4,290,000 of income derived from returns on its investments.

£14,173,000 of income came from the Museum's commercial trading activities and £3,979,000 from donations and legacies.

At the Balance Sheet date the Museum had net assets of £541 million. Although the Balance Sheet shows that the Museum holds significant reserves, it should be noted that many of these Funds have restrictions on how the money can be applied.

The Museum holds unrestricted revenue reserves of £26 million at the year end, and the Trustees believe that the Museum has sufficient unrestricted revenue reserves and budgeted income over the next year not to be exposed to significant liquidity risks.

#### *Interest Rate Risks*

The Museum's financial assets, excluding short term debtors and creditors, are made up of cash and investments. Cash is held in a variety of bank accounts, some of which carry nil rates of interest, some of which carry floating rates of interest and some which carry fixed rates of interest. Returns on investments, such as capital growth, dividends and interest are subject to prevailing stock market conditions and the Museum employs professional fund managers to manage its investments as best it can in light of prevailing market conditions.

Sterling Assets	Floating rate Financial Assets-Cash and Deposits	Fixed rate Financial Assets-Cash and Deposits	Non interest bearing Financial Assets-Cash and Deposits	Common Investment Funds/ Unit Trusts	<b>Total</b>
	£000s	£000s	£000s	£000s	<b>£000s</b>
As at 31.03.06	4,424	77,370	699	24,834	<b>107,327</b>

The Museum has no financial liabilities such as bank loans.

The weighted average interest rate on fixed rate financial assets is 4.53% and the weighted average period of deposit is 267 days. The interest receivable on the floating rate deposits is 1/4 of 1% below LIBOR.

The Trustees believe that the Museum is not exposed to significant interest rate risks.

#### *Foreign Currency Risk*

Although the Museum has dealings in foreign currency, the Trustees believe that the Museum is not exposed to any material foreign exchange risks.

## **22 Restatement of the Prior Year Museum Statements**

The Museum 2005 SOFA and Income and Expenditure statements have been restated so that they reflect the application of the Charity SORP 2005. Restricted donations are now disclosed as voluntary income and governance costs are the costs relating to the governance infrastructure of the Museum and its legal obligations.

The Museum consolidated Balance Sheet, Statement of Financial Activities, Income and Expenditure account and Cash Flow have been restated to reflect a corrected valuation for a defined benefit pension scheme of its trading subsidiary, The British Museum Company Limited. The corrected valuation led to unrestricted revenue reserves at 1 April 2004 being charged with an additional £1,790,000 and a net increase in the funds in 2005 of £30,000.

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